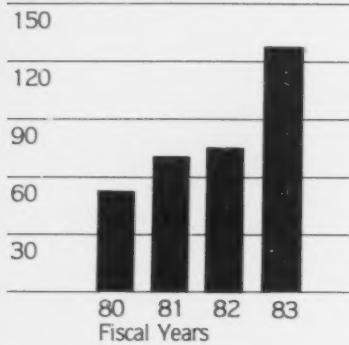

**Collection of
Delinquent Taxes**

Dollars in Millions

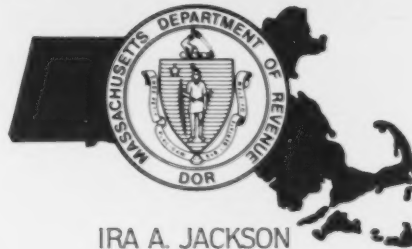


Basis for cover design.

1982-1983

S3917-1

Commonwealth of Massachusetts
**DEPARTMENT
OF REVENUE**



IRA A. JACKSON
Commissioner

**ANNUAL
REPORT**

Letter from the Commissioner



IRA A. JACKSON
Commissioner

The Honorable Michael S. Dukakis
Governor of the Commonwealth
and the Honorable Members of the
General Court of Massachusetts

I hereby submit to you and the taxpayers of the Commonwealth the annual report of the Department of Revenue for Fiscal Year 1983. I note with satisfaction that revenue collections grew 7.6% to a record \$4.948 billion, \$11 million above the final estimate for the year. Our success in meeting and exceeding the revenue estimate stemmed in part from a 70% increase in the collection of delinquent taxes.

I accepted the position of Revenue Commissioner and the major responsibilities and challenges it presented for three reasons, about which I had and continue to have very strong feelings:

First, I believe that competent, honest and fair tax administration is indispensable if government is to uphold the public trust.

Second, at a time of scarce resources and diminishing federal aid, sound performance, maximum productivity and more efficient enforcement of existing tax laws by the Department of Revenue are essential if we are to fund needed public services without resorting to broad-based tax increases.

And third, tax evasion is a serious and growing crime which undermines public services and takes money from the pockets of honest taxpayers. I wanted to help shape and push tax education and enforcement programs which would change public attitudes about the problem and count tax evaders among the victims.

Those three principles became the foundation for a whole range of actions in three major areas: restoring public confidence in the integrity of the Department of Revenue; expanding our services to taxpayers and communities; and improving Departmental performance in generating new revenues through innovative and effective enforcement efforts, and sound management initiatives. The details of those efforts and the resulting accomplishments are covered in the main text of this report.

At this point, I want to publicly acknowledge my appreciation for your continued involvement and strong support. I also want to thank Commissioner L. Joyce Hampers for the solid base of programs developed during the term of her administration.

(continued)

The foundation for many of the accomplishments we have made to date was the appointment of the Task Force on the Revenue Department, chaired by Professor Paul McDaniel of Boston College Law School. It was a personal pleasure and professional privilege working with Professor McDaniel, the other Task Force members, and the management consultants who gave so generously of their time.

Though the final Task Force report did not emerge until after the end of the fiscal year covered in this report, a number of its key provisions had in fact already been implemented by June 30th. A full account of those developments is included in this annual report. The balance of the Task Force proposals will be an important part of our agenda for at least the next three years.

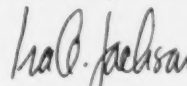
One other area of executive and legislative involvement which must also be cited here was the development and passage of the Revenue Enforcement and Protection (REAP) program. Although final approval of the legislation did not come until June 30th, the final day of the fiscal year, the drive for its passage gave added impetus to the Department's collection efforts in the months before.

Now that its many provisions are law, REAP, backed by the added personnel and equipment provided in the 1984 budget, has been the basis for major initiatives in the new year.

In summary, 1983 was a time of transition with important first steps taken in the long-range reorganization and revitalization of the Department. Strong measures were taken to restore public confidence in the integrity of the Department. Taxpayers were serviced more promptly and efficiently than ever before. Stepped up enforcement of our tax laws led to the production of new records in audit and compliance areas. And as a result, tax administration in the Commonwealth became fairer and more equitable for all honest taxpayers.

We still have a lot to learn and a long way to go, but we are proud of what has been done to date. I am happy to have this opportunity to offer a formal public accounting of our stewardship, and to give credit to you, the Task Force, and those within the Department of Revenue for their parts in this record of accomplishment.

Respectfully submitted,



Ira A. Jackson
Commissioner

CONTENTS



DOR - AN OVERVIEW	1
OBJECTIVES - FY1983	1
Integrity	1
Taxpayer Services	2
Problem Resolution	3
ENFORCEMENT STRATEGIES	4
Delinquents	4
The Seizure Program	4
The End Result	4
Voluntary Compliance	5
The Criminal Element	5
The REAP Law	6
OTHER INITIATIVES	7
The Wage Reporting Project	7
A New Refund Offset	7
Speedy Processing Earns Bonus	8
SERVICE AT THE LOCAL LEVEL	8
A New Bureau	8
Training Programs	8
Master Plan	9
CHARTS, GRAPHS AND TABLES	11-26
THE ORGANIZATION	26
THE LEADERSHIP	27
PRIORITIES - FY1984	31
Task Force Report Implementation	31
Computerization	32
Tax Form Revision	32
Expanding Taxpayer Assistance	32
The REAP Program	33
The 1984 Budget	33
EPILOGUE AND PROLOGUE	33
LEGISLATIVE RECOMMENDATIONS	34-40
THE TAXES	41-42

FY1983 HIGHLIGHTS

- Tax collections reached \$4.948 billion, up 7.6%
- Compliance Bureau collections increased 70%, to \$128.8 million
- Tax billings from audits up \$43.8 million, a 71% increase
- Seizure activity up 62%
- Levies against bank accounts and other assets rose 216%
- 31 individuals and companies indicted on criminal charges
- Direct aid to cities & towns and regional schools up 10.9%, to \$1.789 billion
- More than \$1 million in interest earned by early deposit of tax payments
- REAP approved by the legislature
- Problem Resolution Office established
- Internal Affairs and Internal Audit Offices included in new Inspectional Services Division
- Tax form simplification started
- Taxpayer assistance services expanded
- Amnesty planning in formative stage
- Training Office created



Fiscal Year 1983 marked a period of sweeping change and major accomplishment for the Massachusetts Department of Revenue (DOR):

- Revenue collections grew 7.6% to a record \$4.948 billion, with a 70% increase in the collection of delinquent taxes due to stepped up audit and compliance activities.
- New leadership, management initiatives and reorganization increased the Department's effectiveness in internal security, taxpayer assistance, local services, computerization, communications and the management and development of human resources, including training and affirmative action.
- The foundation for even greater change and accomplishment was laid through the work of a Gubernatorial Task Force and a comprehensive, internally initiated legislative package giving DOR broad new administrative authority and enforcement tools.

This report documents the highlights of this landmark year and some of the plans for Fiscal 1984.

DOR - AN OVERVIEW

In Fiscal 1983, the authorized strength of the Department stood at 1,777, including the Bureau of Accounts and the Wage Reporting Unit in Westborough. Under a reorganization carried out in the second half of the year, DOR was restructured into 11 divisions, 31 bureaus or functional offices, 10 district offices across Massachusetts, and five so-called Multistate offices in other parts of the country.

The \$4.948 billion in revenue which was collected came from the State's 22 separate taxes. If those taxes were regarded as "sales," the Revenue Department would be 68th on the list of Fortune 500 companies, ahead of such giants as Colgate Palmolive, Anheuser-Busch and Digital Equipment. And, if taxpayers were counted as customers, DOR — with 2.5 million individual income tax returns and about 20 million other filings — would be almost as large as General Motors. In fact, since DOR started thinking of itself more as a business, efforts have been made to expand and improve

service to taxpayers — DOR's customers — and to function as a well-rounded business organization.

The money collected by the Revenue Department supports local government as well as State agencies and services. In Fiscal 1983, DOR administered the distribution of \$1.789 billion in direct State aid to the 351 cities and towns and the 82 regional school districts.

In addition to its revenue collection and disbursement responsibilities, DOR's Division of Local Services supervises the assessing practices and tax rates of the State's municipalities. It also supervises the finances of those communities, the regional school districts, the 14 counties and several other special service districts. The Revenue Commissioner serves, in effect, as the State's auditor of municipal finance, accounting annually for the expenditure of more than \$7 billion, a sum almost as large as the State budget.

OBJECTIVES — FY 1983

Three principal goals guided Commissioner Jackson's strategic initiatives in the last half of Fiscal 1983:

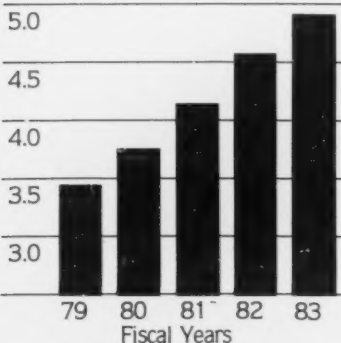
- Restoring public confidence in the integrity of the Department.
- Expanding services to both taxpayers and communities, and
- Improving the Department's performance in generating revenues through modern management and innovative new enforcement efforts.

Integrity

In 1982, the Department suffered a crisis in public confidence as a result of allegations of employee misconduct. The first critical step to insure the integrity of DOR and restore the confidence of the public in the Department was taken by Governor Dukakis in December, 1982, even before he was inaugurated. That step was the appointment of an 11-member Advisory Task Force on the Department of Revenue chaired by Professor Paul McDaniel of Boston College Law School.

Net Tax Collections

Dollars in Billions



Professor McDaniel and the other members of the group worked closely with Commissioner Jackson and First Deputy Commissioner Thomas D. Herman, starting with their appointments on January 8, 1983.

The Task Force and the new leadership team at DOR learned from and drew upon the experience of the Internal Revenue Service, which faced a major scandal and resulting loss of public confidence in its integrity in the early 1950's.

The result was DOR's establishment of a new Division of Inspectional Services headed by Mr. Herman. It included two new units — the Offices of Internal Affairs and Internal Audit — both with entirely new mandates, functions and leadership. Both offices are critical components of an effective and meaningful integrity program in an agency as large as DOR, with its broad discretionary powers and responsibility for monitoring hundreds of thousands of transactions involving millions of dollars in revenue.

The Office of Internal Affairs is responsible for insuring the integrity of all Department employees, for investigating allegations of employee misconduct, for conducting pre-hiring background checks and for protecting employees from bribery, assault or any other illegal interference in the tax collection process.

The Office of Internal Audit is responsible for insuring the integrity, efficiency and effectiveness of the Department's internal management systems and controls. Both units are headed by professionals with extensive experience, one from a career in law enforcement and corporate security, the other from the IRS. Both joined the Department in June, before the release of the McDaniel Report.

Plans were made to locate Inspectional Services in a separate building, thus enabling the Division to function independent of all other DOR operations.

The former Special Intelligence Bureau, which is concerned with the development and prosecution of tax fraud and evasion cases, was renamed the Criminal Investigations Bureau,

strengthened and elevated to a position reporting directly to the First Deputy Commissioner.

Other significant steps to improve the integrity and the public's perception of the Department's work force were also taken early in the new administration. Integrity awareness seminars for all employees were planned.

Checks on criminal records and the tax filing status were made on all prospective employees. Some otherwise highly qualified and promising candidates failed and were barred from employment as a result. Checks on the possible criminal records of all existing employees were also undertaken. That project was still ongoing at the end of the fiscal year.

Meanwhile, the tax filing status of all employees was checked. That effort showed that more than 99% of DOR's full-and-part-time employees had met their income tax filing obligations. Of the handful who were discovered to be violators of the tax laws, two were dismissed and the rest suspended for varying periods.

Work was also started on a DOR Code of Conduct to guide employees in their professional and ethical obligations as members of one of the most sensitive of all State agencies.

To assure that all personnel decisions were given the weight and consideration they deserved, a First Deputy Commissioner for Human Resources was established. He was given the clout of a senior vice president in the private sector. Under his direction, planning started immediately for a broad-scale training program for all DOR employees, and for more aggressive and results-oriented affirmative action at all levels.

Taxpayer Services

The Department of Revenue is the only State agency which personally affects nearly every adult citizen of the Commonwealth every year. It is the only business in our society that has a complete monopoly and whose market is virtually universal. Those who work at DOR share a growing responsibility

to provide improved services with maximum accountability and accessibility to the taxpayers of Massachusetts. To those ends, DOR in 1983 speeded up the processing of early refunds and assisted more taxpayers in more innovative ways than ever before.

Throughout the filing season, efforts were made to reach out to taxpayers. In addition to the personal and telephone assistance provided at its Boston headquarters, DOR's Taxpayer Assistance Bureau helped more than 7,500 people at 45 different locations—two-and-one-half times the number of such outside assignments during the previous filing period.

The outreach program included visits to city and town halls, senior citizen centers, shopping malls and work sites. TPA personnel also held seminars and handed out tax information aboard homeward-bound commuter trains. In addition, DOR's 10 district offices helped 170,000 people, an increase of 20% over the previous year's filing period.

One of DOR's biggest problems in dealing with the public, however, has been the tax forms themselves. The level of public frustration with the forms was reflected in a MIDDLESEX NEWS editorial cartoon at Academy Awards time. It cited the Massachusetts personal income tax form for having the "best script in a foreign language."

Immediately after the end of the filing season in April of 1983, work began on a new, simplified income tax form to serve about half of the State's two-and-one-half million taxpayers — those with taxable incomes of not more than \$40,000, all of which was in the so-called 5% category. The result of that project — Form ABC — was in use and generating wide public acclaim in early 1984.

Problem Resolution

With the complexity of State tax laws and the size of the Department of Revenue, there will always be some cases which will require special attention, and others which will require remedial action.

Those facts were recognized by DOR in the spring of 1983 with the establishment of a Problem Resolution Office (PRO). Modeled after a similar IRS operation, the PRO is designed to help in complicated and protracted cases where the regular Taxpayer Assistance functions have broken down. Beyond providing vital personal help to individual taxpayers, the PRO is responsible for identifying and recommending steps to solve systemic problems which affect both the taxpayers and DOR itself.

Formation of such an office was one of the recommendations of the Governor's Advisory Task Force. And, as in the case of the Inspectional Services Division, DOR acted even before the release of the Task Force report. A professional was brought in from outside to head the unit — in this case, the same person who had directed a Problem Resolution Office for the IRS in Boston.



ENFORCEMENT STRATEGIES

In the end, a Revenue Department's success is judged by its ability to generate revenues. That gets to the third of the year's action areas — improved internal management, along with firm and efficient, but fair use of enforcement authority to encourage voluntary compliance.

The need for such action was plain. Massive problems of both delinquency and evasion had been built up over the years.

Delinquents

Let's focus first on delinquency.

When the new administration took office, Department records showed that more than a quarter-million individuals and corporations owed the Commonwealth over \$300 million in back taxes — roughly 6% of the year's projected revenues.

In some ways that delinquency total was not quite as bad as it looked at first glance. It included bills which were 20 years old or older for individuals and entities for whom the Department had no current address, who had gone into bankruptcy, for people serving time in prison and even for people long deceased.

The Department's best estimate was that a third of that delinquency total, roughly \$115 million, was collectable. A major new crackdown was started to bring in as much of that revenue as possible. That crackdown became highly visible in March and April with publication of lists of the major tax delinquents.

For the Fiscal 1983 reports there were 1,241 such people who collectively owed \$22 million in personal income taxes. Another 4,284 companies and individuals owed \$95 million in what had been known as the business taxes. This time they were more properly labeled as "trustee taxes" — tax money already paid in trust by employees through withholding and by customers for meals, sales and room occupancy taxes which had not been turned over to the state.

Highlighting those delinquent lists with the media, Commissioner Jackson

took the occasion to cite stepped-up collection efforts already underway through liens and levies, and to warn of even harsher measures to come. Those included both ongoing Departmental efforts under existing laws and the new sanctions being sought as part of the Governor's Revenue Enforcement and Protection (REAP) Program.

The Seizure Program

In May the Department began a concerted and broadened program of property seizures. Those were aimed both at increasing payments from delinquents and raising the stakes for continued non-compliance. With teams operating out of the Audit Division headquarters in Cambridge and the District Office in Springfield, there were 11 seizures in a month's time. With this more stringent and highly visible effort, more than half of the bills referred to the two seizure units resulted in payment when business operators received the standard 10-day notices of intent to seize.

Overall collections by the seizure units rose from \$39,000 in all of January and February to \$272,400 in May, and over \$400,000 in June.

The very visible seizure program provided a helpful backdrop for other Compliance Bureau collection efforts behind the scenes. Those were stepped up in our overtime drive in the final six weeks of the fiscal year. A special effort was made to complete action on some major delinquencies, and there were seven such cases completed in that period with payments over \$25 million.

The End Result

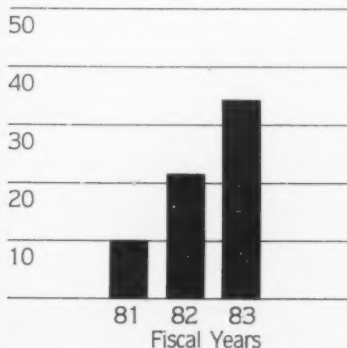
When the books were closed at the end of Fiscal 1983, a truly spectacular record had been achieved:

—A record \$4.948 billion had been collected, despite a \$45 million income tax cut made effective during the year.

—The Compliance Bureau had a \$53.3 million, or 70%, increase in revenues for the year, breaking through the \$100 million barrier for the first time to reach a total of \$128.8 million.

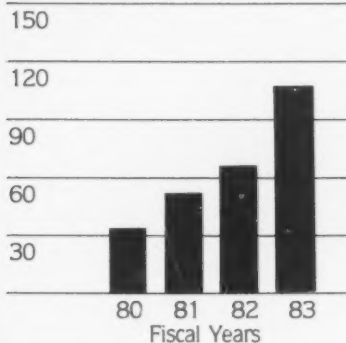


Number of Seizures



Dollar Value of Individual and Business Audits

Dollars in Millions



—There had been a \$43.8 million—or 71%—increase in tax billings as a result of audits of individuals and corporations by the Department's Audit Bureau and Multistate Offices. The full fiscal year total for audit activity reached \$105.4 million, also breaking \$100 million for the first time, and exceeding the total of audit dollars assessed in FY 1980 and FY 1981 combined by more than 20%.

—There had been a 62% increase in seizure activity, with the year's direct revenues up to \$1,197,806 and more than another \$1 million due from ongoing payment agreements.

—Levies against bank accounts, wages and other payments had increased 216% over the previous year. The dollar value of collections from liens against property increased by 95%.

Voluntary Compliance

The impact of Compliance Bureau activities goes beyond the dollars recorded in its own collections and cases closed. As the Bureau succeeds in forcing some people to pay—and in some cases doing so very publicly—it encourages others to comply with our tax laws voluntarily.

Voluntary compliance is the foundation on which our tax system is built. While extremely difficult to quantify, there is some evidence in Fiscal Year 1983's results to show that foundation was strengthened. The increasing likelihood of taxpayers to voluntarily pay their delinquent tax bills upon notification of pending enforcement action is just one indication that the message of firmer and fairer enforcement is getting out and is effective.

The Criminal Element

Another part of the DOR's enforcement effort, also a key factor in spurring voluntary compliance, is the drive against tax evasion and tax fraud. That is not just delinquency in paying bills but a determination to beat the system.

The figures on the scope of that problem and the public cost of tax evasion are shocking. The total is roughly double the \$300 million delinquency total, and it represents an ongoing annual

loss of revenue, not a single 20-year accumulation.

Of the estimated total tax loss of \$640 million, \$280 million was attributed to personal income tax evasion. A substantial portion of that loss stemmed from non-filers, and the massive numbers involved showed that the problem includes people from every economic and social level.

Even more appalling was the 22% rate of sales and meals tax evasion—conservatively estimated to represent \$252 million in lost revenue for the Commonwealth. And in these cases, where businesses collected taxes from customers and failed to turn over the money to the state, evasion constituted outright theft.

Corporation taxes and excises on cigarettes, motor fuels and alcoholic beverages accounted for the remaining \$108 million dollars in estimated lost revenues.

It should be noted that the \$640 million tax-loss estimate did not include income generated by criminal activity, which most experts say would boost the number by as much as 30 percent.

In the future evasion must be attacked head-on in a campaign involving a whole spectrum of the law abiding, taxpaying population. Planning for just such an effort was launched during the year for implementation in 1984.

For effective action in 1983, however, the principal players in the concerted effort to reduce tax evasion were the members of the Department's Criminal Investigation Bureau (CIB). It is the Bureau's job to investigate tax fraud, develop cases on its own, and follow-up on referrals from other DOR bureaus and tips from concerned citizens. Those cases it feels are solid are referred to the Attorney General for prosecution.

In Fiscal 1983, CIB investigated and developed evidence leading to the indictment of 31 individuals and companies, with nine more cases awaiting Grand Jury action.

In another substantial prod to voluntary compliance, indictments against eight of the defendants, on charges of evasion totaling over \$250,000 came on the day before the tax filing deadline in April.

The REAP Law

The Revenue Enforcement and Protection (REAP) Program became law on the first day of Fiscal 1984—too late to have any direct legal impact on Fiscal 1983 collections. However, the four-month campaign for its passage gave added impetus to the overall enforcement effort.

In describing the program to the Legislature on March 2, Commissioner Jackson summed up both the problem and the challenge:

"Public confidence in our tax system—one that is primarily founded upon voluntary compliance—is quickly eroded if people feel that taxes are not imposed and collected in a fair and equitable manner, or that some segments of our society through design—or otherwise—are avoiding their tax obligations. We cannot expect the vast majority of law-abiding taxpayers to continue supporting the tax delinquent and the tax evader. Indeed the reality and even the perception of large-scale tax evasion quickly leads to greater evasion. Thus the vast majority of honest taxpayers end up subsidizing even more of the illegal activities and avoidance of taxes by other less scrupulous people.

"It is not enough to recognize that there is a growing underground economy nationwide that goes untaxed. That just widens the so-called delinquency gap. We must marshal the resources to attack the problem directly. The downward trend in voluntary compliance must be halted and in fact reversed. Massachusetts is not unique in facing this problem. There are known ways we can reduce the non-compliance gap and, with the cooperation of the General Court, we will."

One area which received continued emphasis was the penalty scale for evasion. Until passage of REAP, tax evasion had been only a misdemeanor with the maximum penalties a year in jail and fines up to \$10,000. And to the best of the Department's knowledge, no one had ever served a day in jail for violation of Massachusetts' tax laws.

REAP was to make tax evasion a felony, for which conviction itself carries strong legal sanctions. The possible prison term was extended to five years, and the fine scale was also increased—up to \$100,000 for individuals and \$500,000 for corporations.

The REAP proposals sent out strong warnings to delinquents as well.

It became clear that Massachusetts was moving toward use of private collectors for some of its older, tougher delinquency cases.

Another REAP initiative was to require State and local licensing boards to provide annual computerized lists of all individuals and businesses with licenses to continue in a profession, conduct a trade or carry on a business. If the Department then found any serious delinquency or tax evasion among them, it would initiate hearings for suspension of the offenders' licenses.

A similar process was proposed to cover over 80,000 businesses or professionals contracting to provide services to State or local government. REAP was to provide for the removal of tax offenders from the lists of eligible vendors. Even before the end of the fiscal year, however, information about major delinquents on the disclosure list was being used for levies on State payments to collect some of the delinquent taxes due.

A fourth REAP initiative was to strengthen the Department's ongoing campaign to get sales or use tax payments from all luxury boat owners. In the past many had been able to bypass the Massachusetts sales tax by documenting their yachts with the Coast Guard in Delaware or New Hampshire, states without a sales tax. REAP proposed that Massachusetts harbor masters be required to notify the Department every January of all boats docked in their harbors for over 14 days which were not registered in Massachusetts. Owners found to live in Massachusetts would then be billed for the sales or use tax.

A week before the REAP bill was passed, the Department seized the

first such boat in Bourne Harbor. Commissioner Jackson announced that, for the first year DOR was taking the initiative and doing its own comprehensive survey of harbors—an effort which was to pay off handsomely in Fiscal 1984.



OTHER INITIATIVES

In recent years, with the Department's increased computer capabilities, DOR's duties have been expanded to serve State government in areas beyond simple revenue collection.

Fiscal 1983 saw additional returns for the people of Massachusetts from one of these programs, wage reporting, which had already saved millions of dollars in various types of assistance payments. Another cost-saving debt-offset program was quickly implemented in response to a legislative mandate. By year's end it had recovered over a million dollars in delinquent child support payments which would otherwise have been added to the general tax burden.

The Wage Reporting Project

Since 1981 DOR has operated a Wage Reporting Unit designed to detect and deter fraud in Public Welfare, Unemployment Compensation and Veterans Benefits. The system involves collecting data on wages from all the State's employers and then matching that with the income statements of those applying for aid under the three programs.

By the end of Fiscal 1983 the verification system, operated out of a special computer facility in Westborough, had enabled the Welfare Department to close over 3,000 cases with a direct saving of \$11.3 million. Another \$2.7 million in overpayments had been found by officials in the other two participating agencies, with further savings for the State's taxpayers.

In March the U.S. Department of Health and Human Services (HHS) recognized the financial value of the program to the federal government, which shares in the cost of welfare payments. HHS announced a \$1.7 million payment to help cover the program's costs. That federal assistance is to be continued in the future at a rate around \$2 million annually.

Shortly after his arrival at the Department, Commissioner Jackson expanded the program against welfare fraud to include providers as well as recipients. Under the Medicaid Vendors project, the names of some 30,000 doctors, dentists, pharmacists and nursing home operators providing services to the Welfare Department were checked against tax records to see if these individuals and businesses were filing returns and fully reporting the billion dollars a year the State paid them for their services. In its pilot stages, that project resulted in levies totalling over one million dollars on State payments to delinquent taxpayers.

A New Refund Offset

Another new initiative during the year was designed to collect from parents who were delinquent in their court-ordered support payments for children receiving public assistance. DOR, using lists provided by Welfare officials, held up the delinquents' income tax refunds and turned over the money to the Department of Public Welfare to help meet back support payments.

The new program was authorized by the Legislature in December, 1982. It was set up and in operation in mid-March, even as the income tax filing season was on, and returns were flowing into the Department at the rate of

25,000 a day. By the end of the refund season the new program had produced \$1.1 million from 5,348 parents.

That refund offset built upon a similar program DOR had in effect for the three prior years. That program intercepted refunds destined for people with back tax liabilities. In the 1983 tax filing season the offset program collected \$2.6 million from 30,273 delinquents.

Speedy Processing Earns Bonus

The personnel of the Data Services Bureau who operated the offset programs also made money for the Commonwealth by their speedy handling of the year's income tax payments.

In 1983 all of the income tax payments received by the April 15 deadline had been processed and deposited by mid-May, a month ahead of the time it took the previous year. Having the money deposited on that accelerated schedule made it possible for the State to earn more than a million dollars in added interest income.

That record of accomplishment by Data Services employees is all the more impressive in the face of the work load. There were 1.1 million returns received at the April 15 deadline—only four weeks before the final deposits were made.

SERVICE AT THE LOCAL LEVEL

The Division of Local Services under Deputy Commissioner Edward J. Collins, Jr. is charged with supervisory and oversight responsibilities with regard to the financial practices of local governments. It carried out that responsibility with increased effectiveness and responsiveness to the needs of both officials and taxpayers in this new era of limited resources.

For local government in Massachusetts those limits were spelled out by Proposition 2½. It has been the task of the Local Services Division to provide direction and guidance to local officials in the implementation of that law. By the end of Fiscal 1983 all but a handful of the

State's 351 cities and towns were at or below the levy limits established by the voters in November, 1980.

The final stages of fulfilling the court-mandate to achieve and maintain fair and uniform property taxes were also reached in Fiscal 1983. The Bureau of Local Assessment certified the assessed valuation of another 172 cities and towns, bringing the number of communities at full and fair cash value to 305 of the 351. With the completion of the remaining communities on the schedule for Fiscal 1984, the groundwork was laid for the development of a computer-aided system which will enable the municipalities to maintain those full values consistently, rather than having to undergo periodic costly revaluations. This is the development of Computer Assisted Mass Appraisal (CAMA) which began with basic funding in Fiscal 1983.

A New Bureau

The Municipal Data Management and Technical Assistance Bureau (MDM/TAB)—was added to the Division's complement in 1983, joining Property Tax, Local Assessment and the Bureau of Accounts. MDM/TAB was responsible for developing the first-ever computer-generated Cherry Sheets. As a result, local aid and cost assessment figures were calculated, printed and on their way to local officials within eight days after the Legislature's approval of the Fiscal 1984 budget - a record time.

Training Programs

Some 800 local officials took part in a series of nine seminars all over the State. The seminars were offered by the Division to explain the Cherry Sheets and provide information on pertinent programs and laws. The Division's support also included technical assistance and training for various municipal officials in key fiscal positions. During the year, the Division conducted 21 training sessions at five different schools for assessors and their clerks, treasurers and collectors, and for accountants and auditors.

Workshops for those involved in implementation of the Classification Amendment were also held with local officials from all across Massachusetts in attendance.

In addition to the training programs, the Division issued 17 Informational Guideline Releases (IGRs), detailing and explaining legal and procedural matters on local aid, property taxation and municipal finance for local officials and other interested persons.

Master Plan

A major accomplishment of Fiscal 1983 is actually a blueprint for the future. Working in cooperation with the Governor's Advisory Task Force, the Local Services Division prepared a "Master Plan for Improving Local Government Financial Operations" in all areas into the 20th century. Pending the necessary budgetary backing for the Master Plan, its implementation is projected for Fiscal 1985.

(continued on page 27)

CHARTS, GRAPHS, TABLES



Net State Tax Collections

Fiscal Years 1979-1983 (Add \$000)

TAX or EXCISE	FY1979	FY1980	FY1981	FY1982	FY1983
Alcoholic Beverage	\$ 79,836	\$ 80,561	\$ 84,740	\$ 84,447	\$ 82,278
Commercial Banks	22,839	37,366	38,856	29,385	66,358
Savings Banks	32,594	33,089	37,648	40,819	47,622
Cigarettes	142,272	144,018	148,555	145,357	142,912
Corporations	400,640	438,860	441,922	498,055	506,113
Deeds	12,415	12,246	12,967	12,492	13,709
Estate & Inheritance	75,312	78,952	82,020	99,355	111,850
Income:					
Estimated Payments	248,904	275,549	291,461	398,518	416,331
Withholding	1,408,657	1,611,538	1,743,673	1,924,770	2,073,601
Returns & Bills	169,225	203,573	238,785	263,203	268,631
Subtotal	1,826,786	2,090,650	2,273,919	2,586,491	2,758,563
Less Refunds & Abatements	195,403	230,654	215,975	262,433	286,300
Subtotal Income	1,631,384	1,860,006	2,057,945	2,324,058	2,472,263
Insurance	105,433	111,517	114,083	122,218	134,875
Motor Fuels	223,749	212,035	237,528	269,239	250,425
Public Utilities	27,785	23,068	17,642	30,077	40,482
Room Occupancy	15,526	17,832	22,094	24,290	26,220
Sales & Use:					
Regular	458,674	506,770	573,173	607,544	682,879
Meals	139,901	137,594	155,527	164,213	186,420
Motor Vehicle	119,138	101,658	131,015	145,603	182,413
Subtotal Sales	717,713	746,022	859,716	917,360	1,051,712
Miscellaneous:					
Beano (a)	2	-	-	-	-
Club Alcoholic Bev.	144	70	7	612 (c)	431
Motor Vehicle	405	812	468	318	422
Raffles & Bazaars (a)	9	-	-	-	-
Subtotal Miscellaneous	560	882	475	930	853
TOTAL (b)	\$3,488,057	\$3,796,454	\$4,156,192	\$4,598,081	\$4,947,672

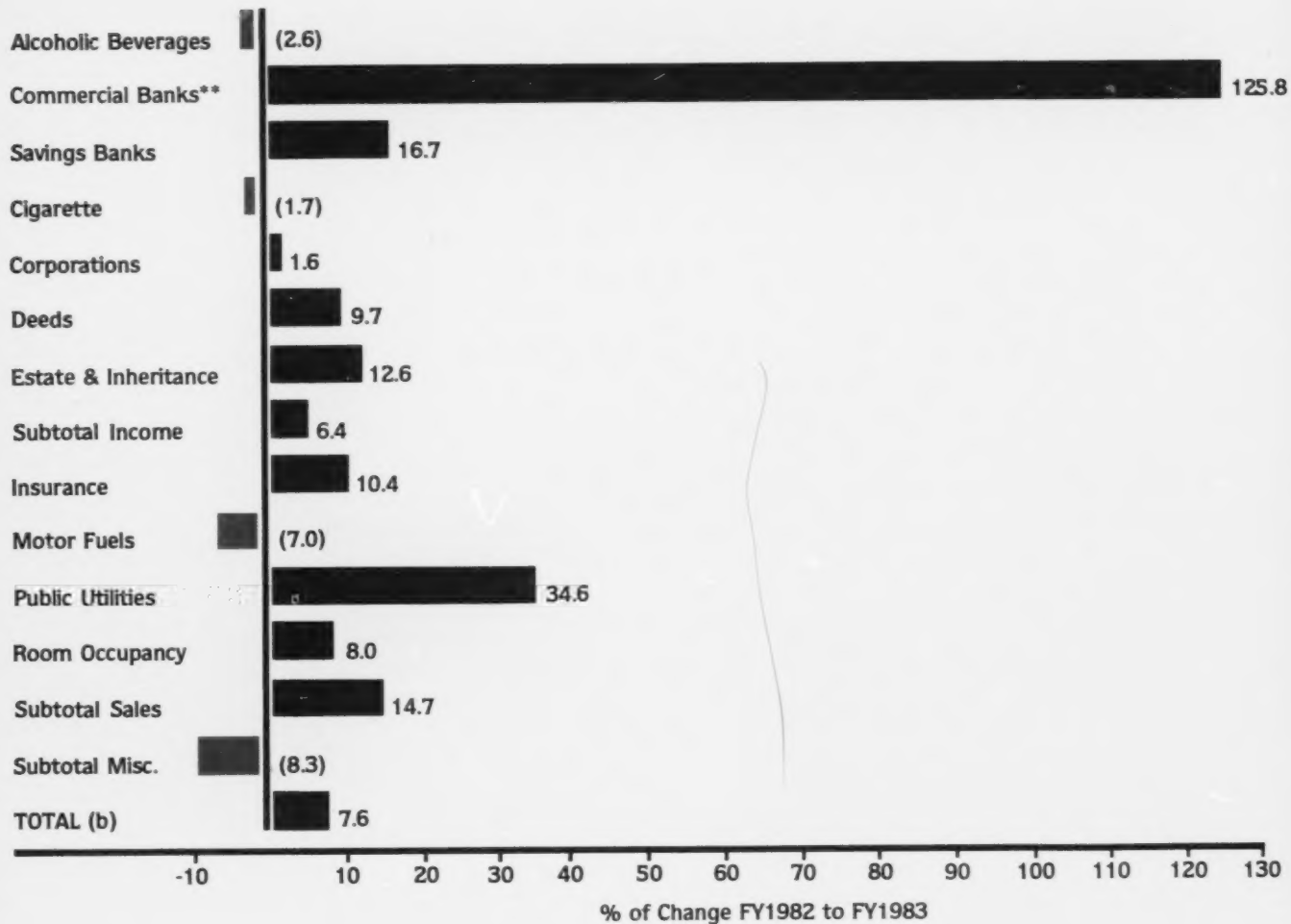
* Excludes Racing, Boxing, Raffles and Bazaars, Beano and Urban Redevelopment taxes, and Departmental non-tax revenue.

** As adjusted.

a) Administration of taxes on beano, raffles and bazaars transferred to State Lottery Commission, January 1, 1978.

b) As adjusted. Excludes boxing and racing taxes which are not administered by DOR.

c) Includes adjustments for prior years
(Chapter 21 of the Acts of 1983).



Net State Tax Collections By Fund

Fiscal Years 1979-1983 (Add \$000)

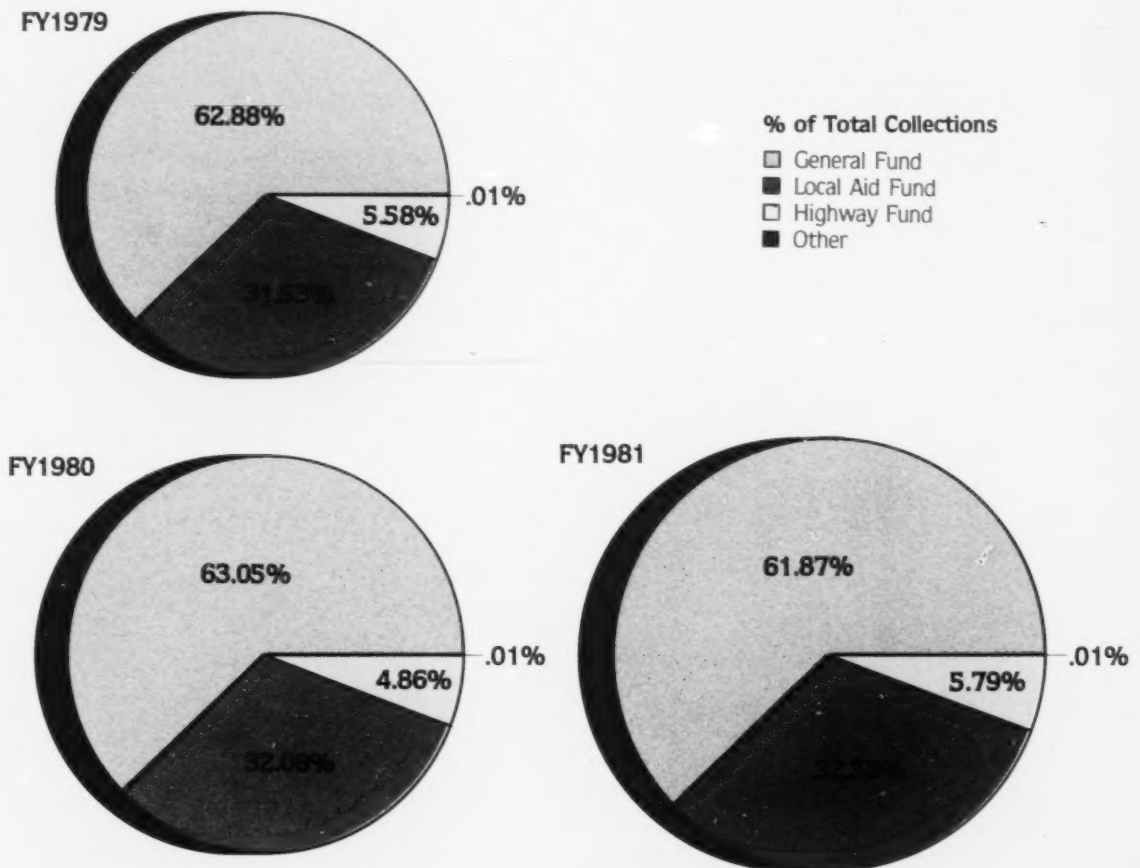
Fund	FY1979	FY1980	FY1981	FY1982	FY1983	% of Change
General	\$2,193,351	\$2,393,813	\$2,571,152	\$2,835,810	\$3,085,639	8.8
Local Aid	1,099,828	1,217,955	1,343,800	1,495,789	1,612,051	7.8
Highway	194,559	184,387	240,910	266,109	249,367	(6.2)
Other	318	300	331	372	345	(7.3)
Totals	\$3,488,057	\$3,796,454	\$4,156,192	\$4,598,081	\$4,947,672	7.6

The **General Fund** includes 60% of the corporations, personal income and sales taxes (including meals and motor vehicles), plus 100% of all other taxes listed in the Net State Tax Collections Table.

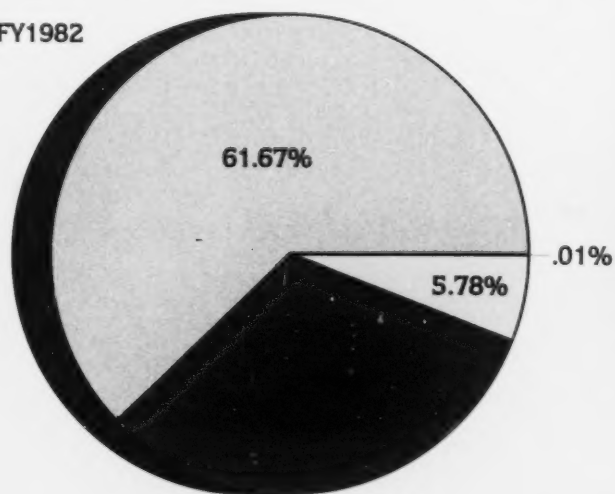
The **Local Aid Fund** consists of 40% of the corporations, personal income and sales taxes (including meals and motor vehicles). The LAF provides financial assistance to the 351 cities & towns and regional school districts.

The **Highway Fund** derives its money from taxes on motor fuels, motor carriers and a 5¢ cigarette tax.

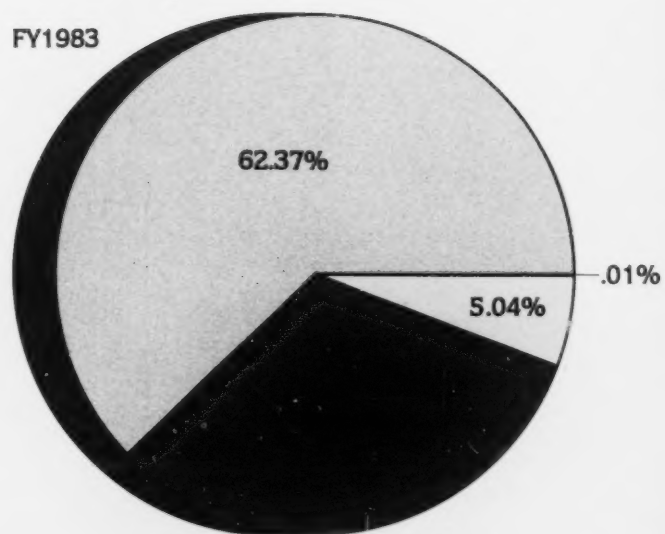
Other includes the **Inland Fish and Game Fund** which is financed by a small portion of the State gasoline tax.



FY1982



FY1983



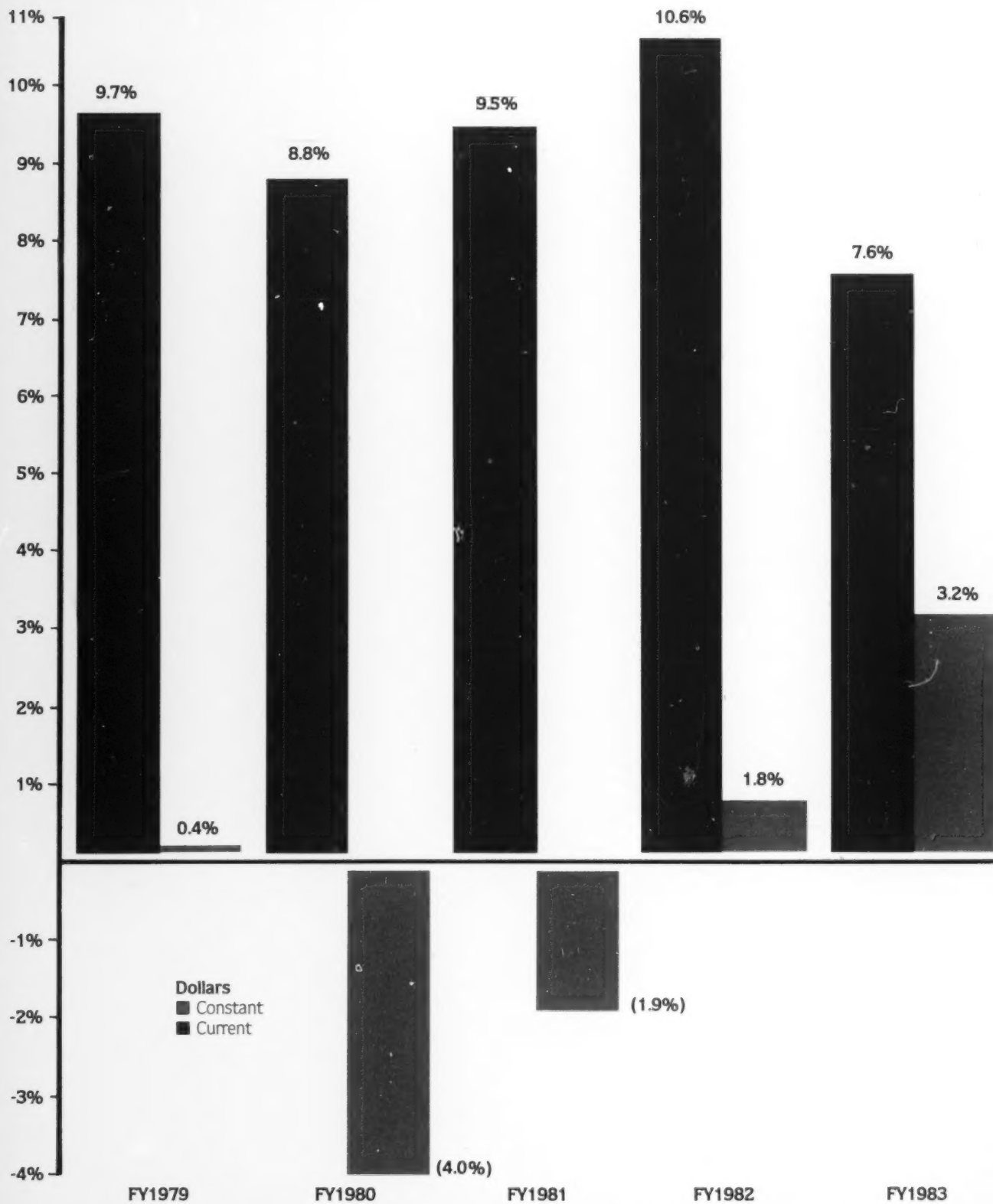
State Revenue Collections

Fiscal Years 1979-1983

Percent Change: Current & Constant Dollars (in Billions)

Fiscal Year	Current Dollars	% of Change from Previous Year	Constant* Dollars	% of Change from Previous Year
1979	\$3.488	9.7	\$1.700	0.4
1980	\$3.796	8.8	\$1.633	(4.0)
1981	\$4.156	9.5	\$1.602	(1.9)
1982	\$4.598	10.6	\$1.631	1.8
1983	\$4.948	7.6	\$1.682	3.2

NOTE: The Current dollar figures express collections in actual dollars. The Constant dollar figures express collections adjusted for annual inflation rates, based on 1967.



Percent of Change FY1979 Through FY1983 — Current VS Constant Dollars

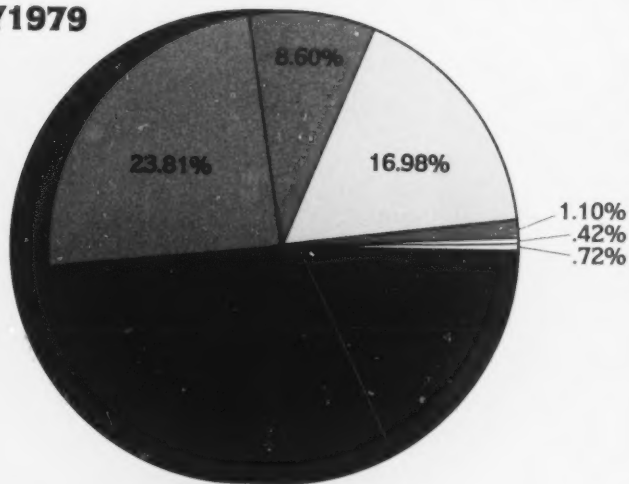
Massachusetts State and Local Tax Revenue

Source and Amount — Fiscal Years 1979-1983 (Add \$000)

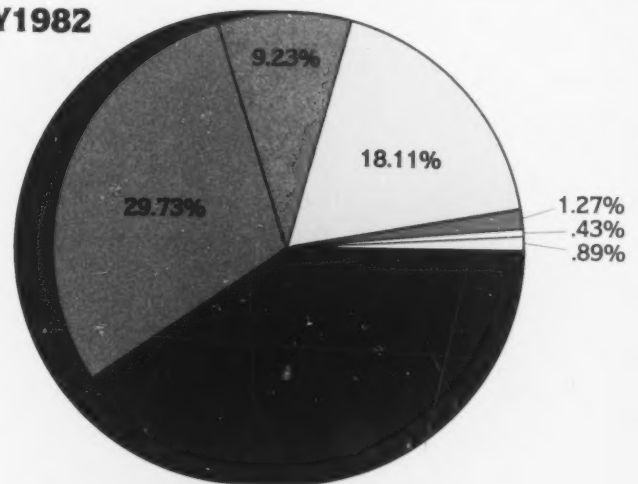
TAX SOURCE	FY1979	FY1980	FY1981	FY1982	FY1983
Taxes on Property (Local)					
Real Estate	\$2,766,675	\$2,746,077	\$3,070,122	\$2,811,708	\$2,750,078
Personal Property	263,892	255,081	276,565	223,832	208,971
Motor Vehicle	284,226	306,435	145,104	118,311	148,722
Totals	\$3,314,793	\$3,307,593	\$3,491,791	\$3,153,851	\$3,107,771
Tax on Personal Income					
Totals	\$1,631,384	\$1,860,006	\$2,057,671	\$2,324,058	\$2,472,264
Taxes on Business					
Corporations	\$ 400,640	\$ 438,860	\$ 442,313	\$ 498,055	\$ 506,113
Insurance Companies	105,433	111,517	114,024	122,218	134,875
Public Utilities	27,785	23,068	17,642	30,077	40,482
Commercial Banks	22,839	37,366	38,856	29,385	66,358
Savings Banks	25,860	26,538	30,622	32,552	37,603
Cooperative Banks & Savings and Loan Ass'ns	6,734	6,552	7,027	8,267	10,018
Totals	\$ 589,291	\$ 643,901	\$ 650,484	\$ 720,554	\$ 795,449
Taxes on Commodities Sold					
Motor Fuels	\$ 223,749	\$ 212,035	\$ 237,528	\$ 269,239	\$ 250,425
Cigarettes	142,272	144,018	148,122	145,357	142,912
Alcoholic Beverages	79,836	80,561	84,740	84,447	82,278
Sales & Use	577,812	608,428	704,579	753,147	865,292
Sales, Meals	139,901	137,594	155,495	164,213	186,420
Totals	\$1,163,570	\$1,182,636	\$1,330,465	\$1,416,403	\$1,527,327
Tax on Estate & Inheritance					
Totals	\$ 75,312	\$ 78,952	\$ 82,020	\$ 99,355	\$ 111,850
Tax on Horse & Dog Racing					
Totals	\$ 28,767	\$ 29,474	\$ 32,272	\$ 33,271	\$ 35,422
Miscellaneous Taxes					
Room Occupancy	\$ 15,526	\$ 17,832	\$ 22,089	\$ 24,290	\$ 27,510
Deeds Stamp	12,415	12,246	12,967	12,492	15,397
Beano	3,908	4,357	4,694	4,982	5,277
Club Alcoholic Beverage	144	70	7	612	431
Motor Vehicle	405	812	468	318	422
Raffles & Bazaars	490	662	813	1,029	959
Urban Redevelopment	16,513	17,411	20,171	25,762	28,225
Totals	\$ 49,401	\$ 53,391	\$ 61,209	\$ 69,485	\$ 78,221
ALL TAXES					
TOTALS	\$6,852,519	\$7,155,953	\$7,705,912	\$7,816,977	\$8,128,304

* Because of rounding, detail may not add to Totals.

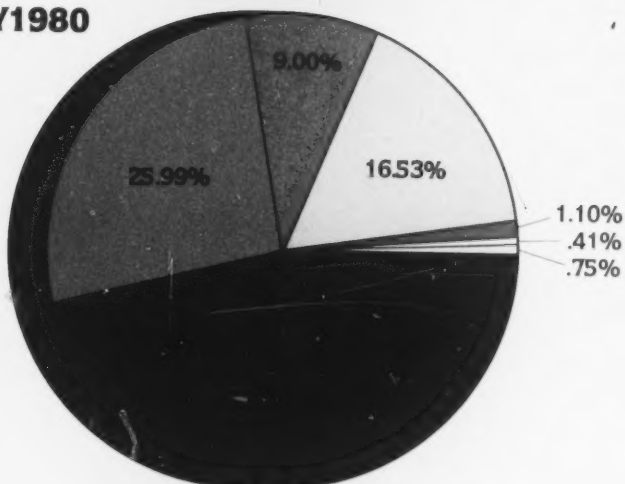
FY1979



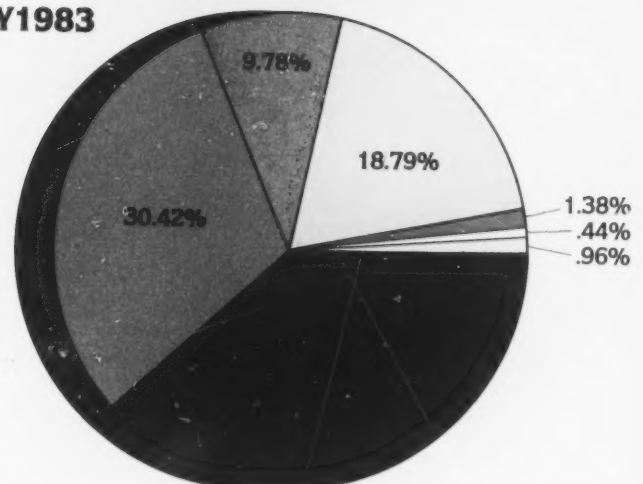
FY1982



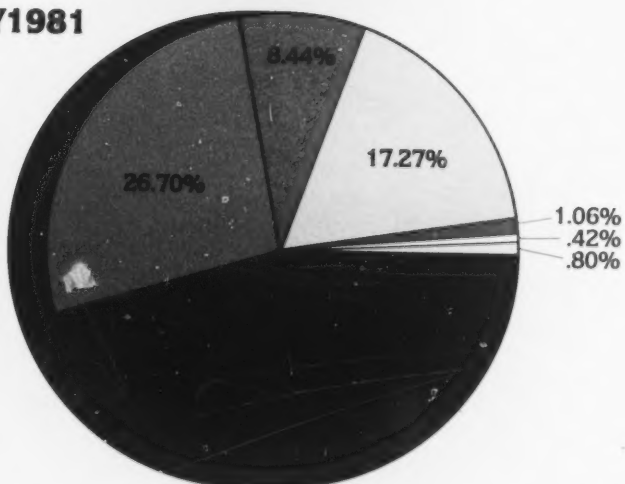
FY1980



FY1983



FY1981



% of Total Revenue

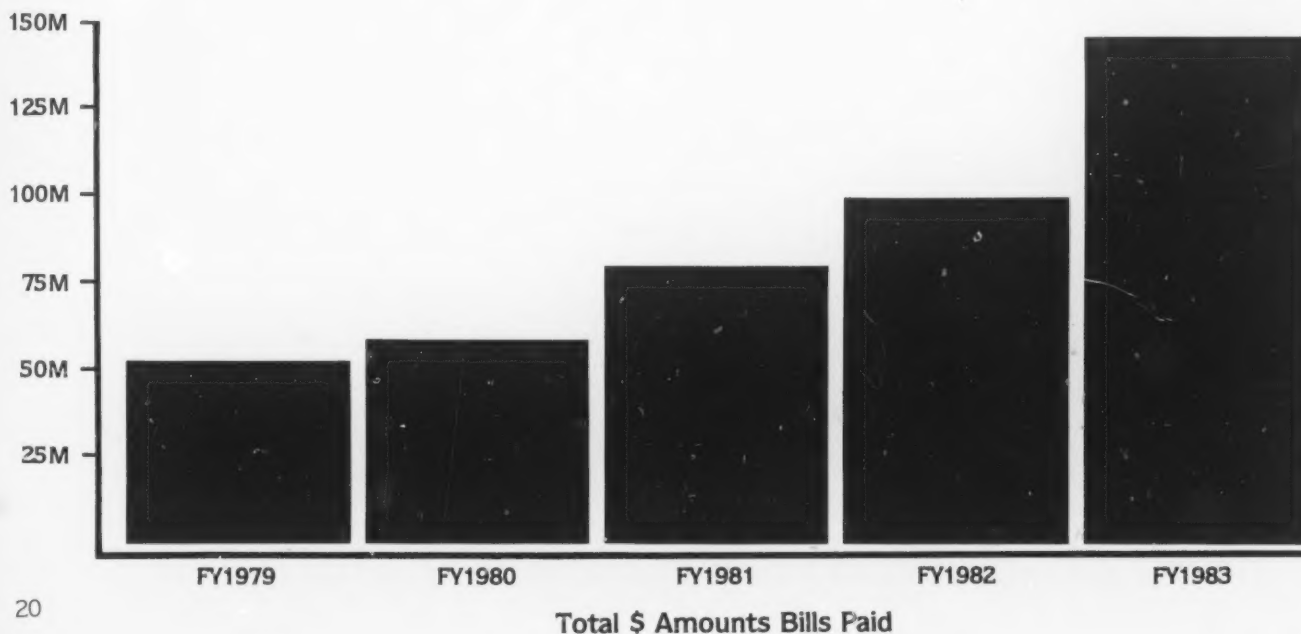
- Taxes on Property (Local)
- Tax on Personal Income
- Taxes on Business
- Taxes on Commodities Sold
- Tax on Estate & Inheritance
- Tax on Horse & Dog Racing
- Miscellaneous Taxes

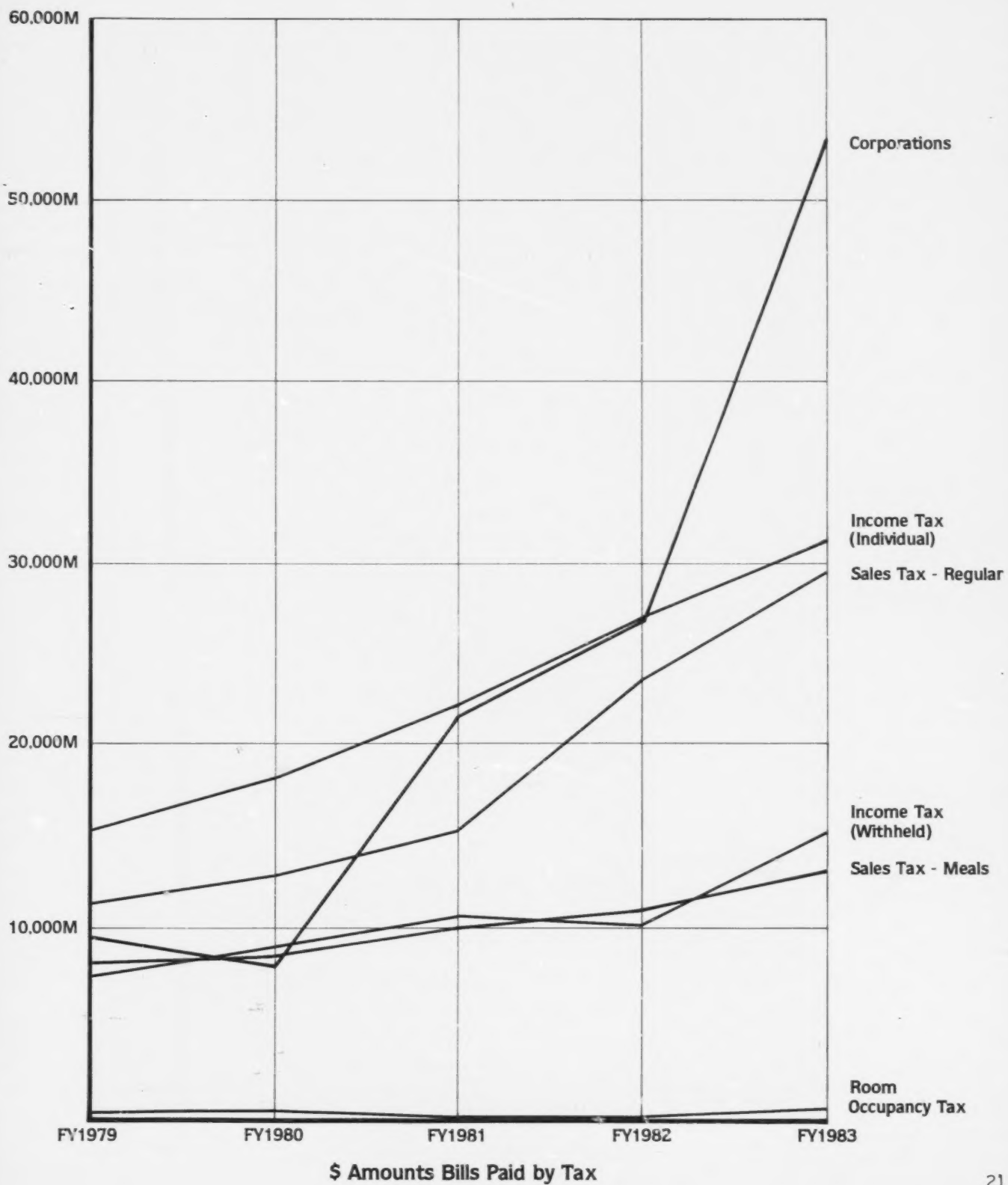
Selected Bill Payment Information

Amounts included in Net Tax Collections

Amounts of Bills Paid: (Add \$000)	FY1979	FY1980	FY1981	FY1982	FY1983	% of Change
Corporations	\$ 9,944	\$ 7,765	\$ 21,080	\$ 26,413	\$ 53,659	103.2
Income Tax (Individual)	15,615	18,884	22,179	27,107	31,656	16.8
Income Tax (Withheld)	7,786	9,360	10,996	10,726	15,419	43.8
Room Occupancy Tax	226	318	449	358	579	61.7
Sales Tax - Regular	11,531	13,851	15,578	23,658	29,979	26.7
Sales Tax - Meals	8,153	8,697	10,017	11,466	13,287	15.9
Total Amount	\$ 53,255	\$ 58,874	\$ 80,299	\$ 99,727	\$ 144,578	44.97

Number of Bills Paid: (in Thousands)	FY1979	FY1980	FY1981	FY1982	FY1983	% of Change
Corporations	3	2	6	4	5	16.6
Income Tax (Individual)	109	113	157	198	200	1.2
Income Tax (Withheld)	53	59	79	80	90	12.7
Room Occupancy	1	1	2	2	2	3.1
Sales Tax - Regular	48	48	58	71	77	9.6
Sales Tax - Meals	35	38	45	49	55	12.4
Total Number	248	262	346	403	430	6.3



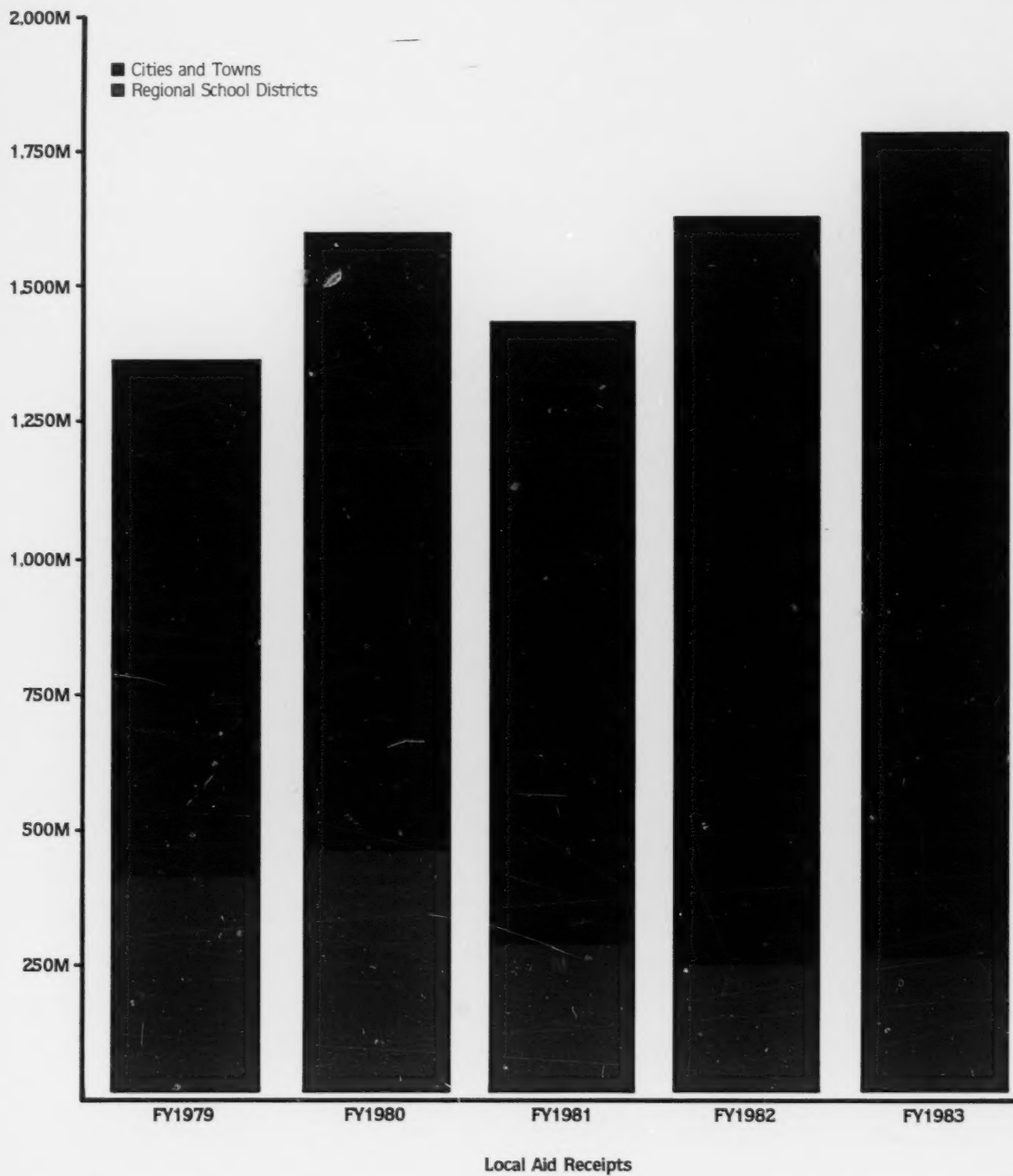


Local Aid Receipts for Cities, Towns and Regional School Districts

Fiscal Years 1979-1983 (In Millions of Dollars)

ITEM Receipts	FY1979	FY1980	FY1981	FY1982	FY1983	\$ Change
CITIES AND TOWNS						
Reimbursements						
Loss of Taxes, 7 programs	\$ 31.2	\$ 29.7	\$ 31.4	\$ 31.5	\$ 28.7	\$ (2.8)
Veterans' Benefits	9.6	8.9	8.8	6.9	10.7	(3.8)
Pensions to Retired Teachers	16.4	17.2	18.0	-	20.5	20.5
Urban Renewal, 2 programs	8.8	3.6	3.2	3.3	1.6	(1.7)
School Transportation, 5 programs (4 in FY'80)	36.7	40.4	40.2	55.3	54.3	(1.0)
Public Libraries, 2 programs	4.6	3.6	5.3	6.8	7.0	0.2
School Construction & Repair	89.3	93.8	99.2	90.2	87.0	(3.2)
Racial Imbalance, 3 programs	14.8	14.1	14.7	15.2	15.3	0.1
School and Elderly Lunch	6.8	6.4	5.5	4.3	5.4	1.1
Highway & Transit, 2 programs	21.0	21.0	21.0	21.0	21.0	-
Residential School Costs	-	-	-	6.0	5.9	(0.1)
Other, 6 programs (5 in FY '79 & FY '80)	5.7	9.6	8.0	9.0	15.9	6.9
Total Reimbursements*	\$ 244.9	\$ 248.5	\$ 255.1	\$ 249.5	\$ 273.3	\$ 23.8
Distributions						
School Aid, Chapter 70, as amended (including prior year adjustments)	\$ 565.0	\$ 645.0	\$ 650.0	\$ 640.4	\$ 639.4	\$ (1.0)
Lottery, Beano, etc.	52.6	63.1	73.8	85.6	97.0	11.4
Additional Assistance	60.0	143.0	143.0	348.0	483.3	135.3
Highway Fund	25.4	41.5	19.7	24.0	23.7	(0.3)
Urban Redevelopment Excise	15.4	17.1	20.7	21.3	21.6	0.3
Boston Funding Loan Act	-	-	-	-	2.6	2.6
1978 Lottery Deficit	8.5	-	-	-	-	-
Total Distributions	\$ 726.9	\$ 909.7	\$ 907.2	\$ 1,119.3	\$ 1,267.6	\$ 148.3
TOTAL RECEIPTS — CITIES & TOWNS	\$ 971.8	\$ 1,158.2	\$ 1,162.3	\$ 1,368.8	\$ 1,540.9	\$ 172.1
REGIONAL SCHOOL DISTRICTS						
Reimbursements						
Regional School District Aid	\$ 38.3	\$ 42.0	\$ 42.7	\$ 42.7	\$ 45.8	\$ 3.1
School Transportation	9.4	10.8	11.0	16.9	15.4	(1.5)
School Construction & Repair	21.7	20.2	22.1	19.8	19.3	(0.5)
Residential School Costs	-	-	-	.5	.5	-
Other, 5 programs	2.1	3.4	3.4	3.5	3.7	0.2
Total Reimbursements	\$ 71.5	\$ 76.4	\$ 79.2	\$ 83.4	\$ 84.7	\$ 1.3
Distributions						
School Aid, Chapter 70, as amended (including prior year adjustments)	\$ 66.6	\$ 73.3	\$ 75.7	\$ 76.1	\$ 76.9	\$ 0.8
Other Locally Related Aid 15 programs (16 in FY '79)	\$ 258.3	\$ 291.5	\$ 123.3	\$ 85.6	\$ 86.8	\$ 1.2
TOTAL RECEIPTS - REGIONS	\$ 396.4	\$ 441.2	\$ 278.2	\$ 245.1	\$ 248.4	\$ 3.3
TOTAL DIRECT AID						
Cities, Towns, Regional School Districts & Locally Related	\$ 1,368.2	\$ 1,559.4	\$ 1,440.5	\$ 1,613.9	\$ 1,789.3	\$ 175.4

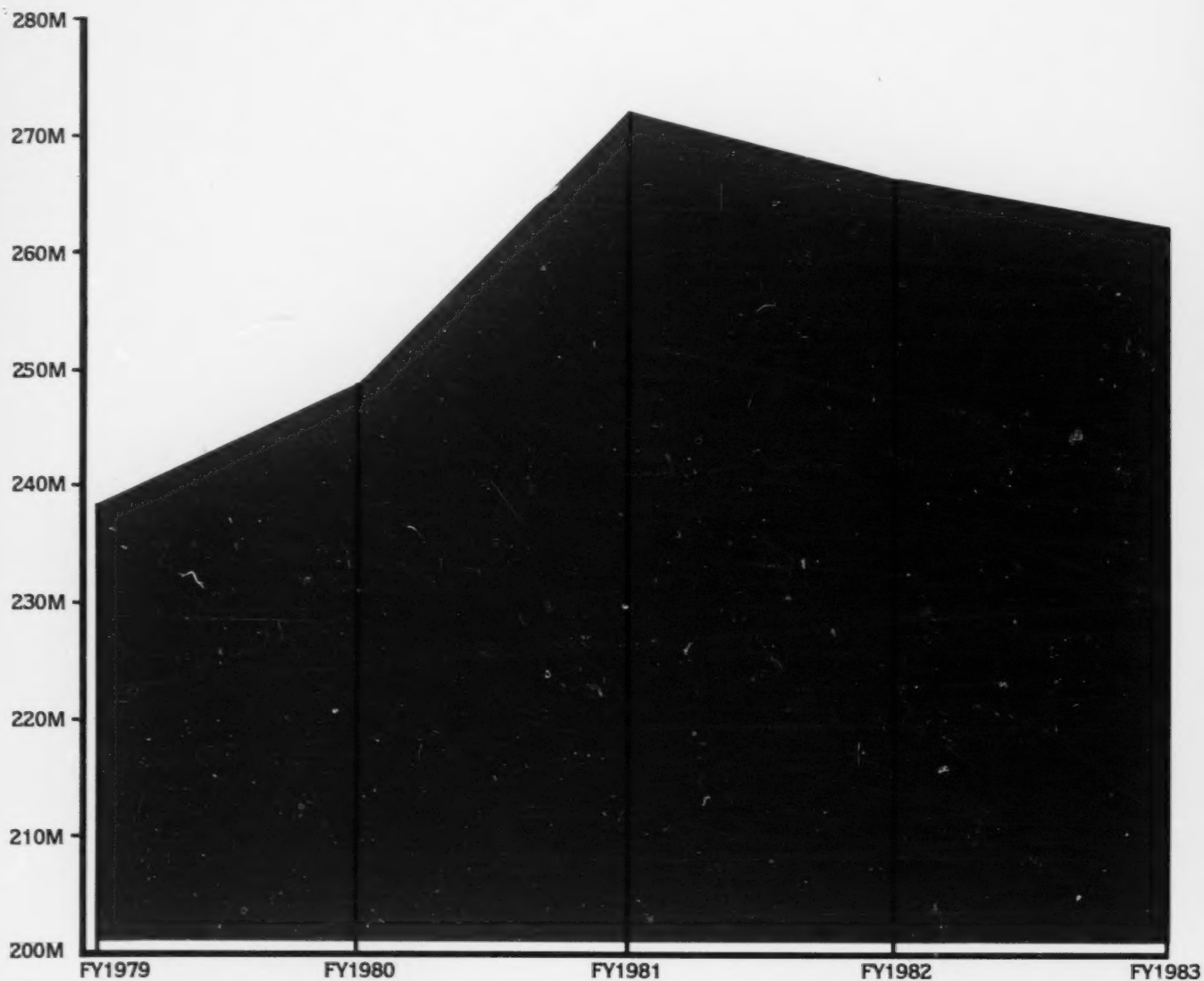
*Includes highway fund aid, G.L. CH. 90, for cities and towns, which in 1980 was included in total estimated receipts, 1981, \$18.1; 1982, \$20.9; 1983, \$21.0.

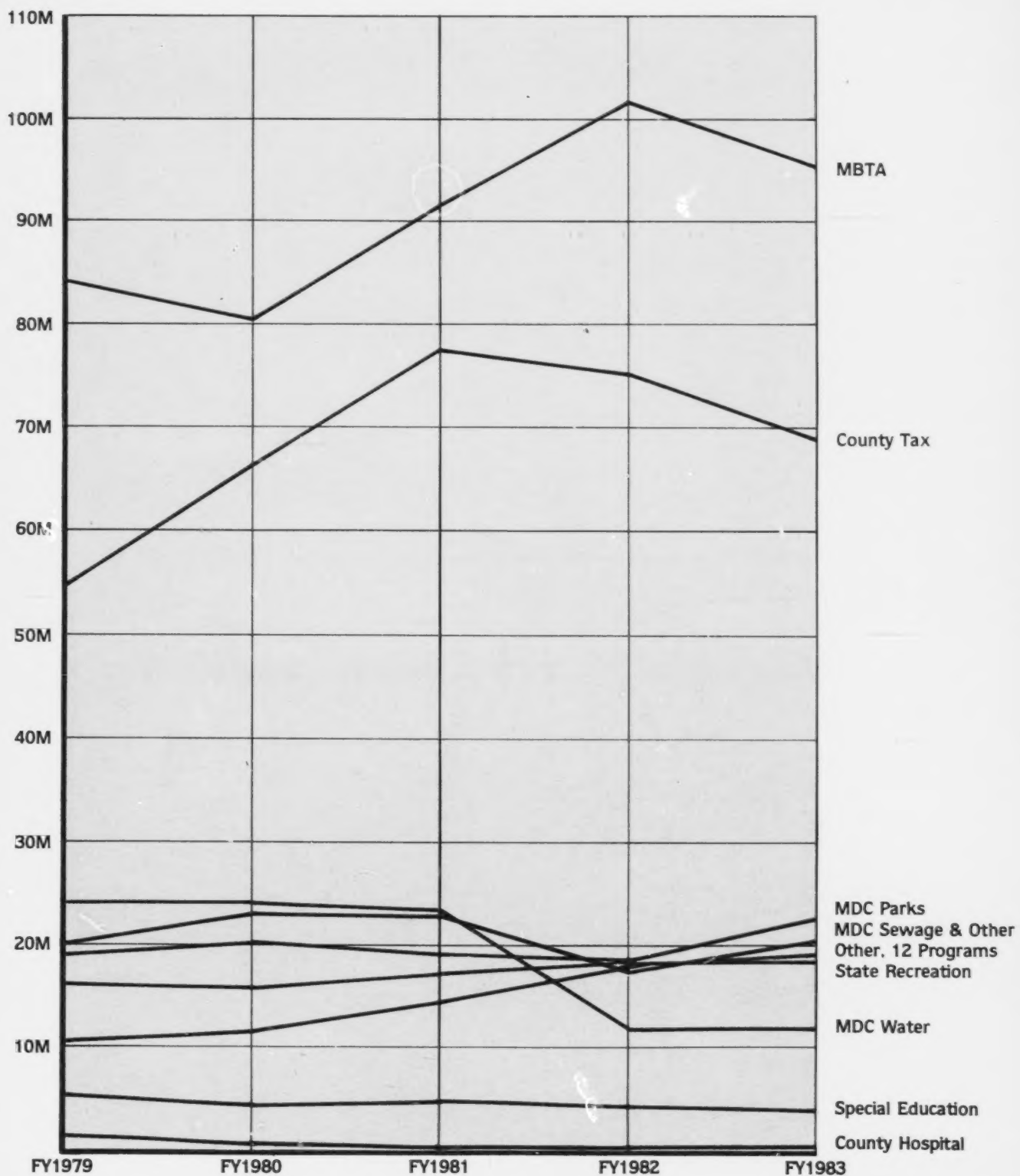


Assessments & Charges

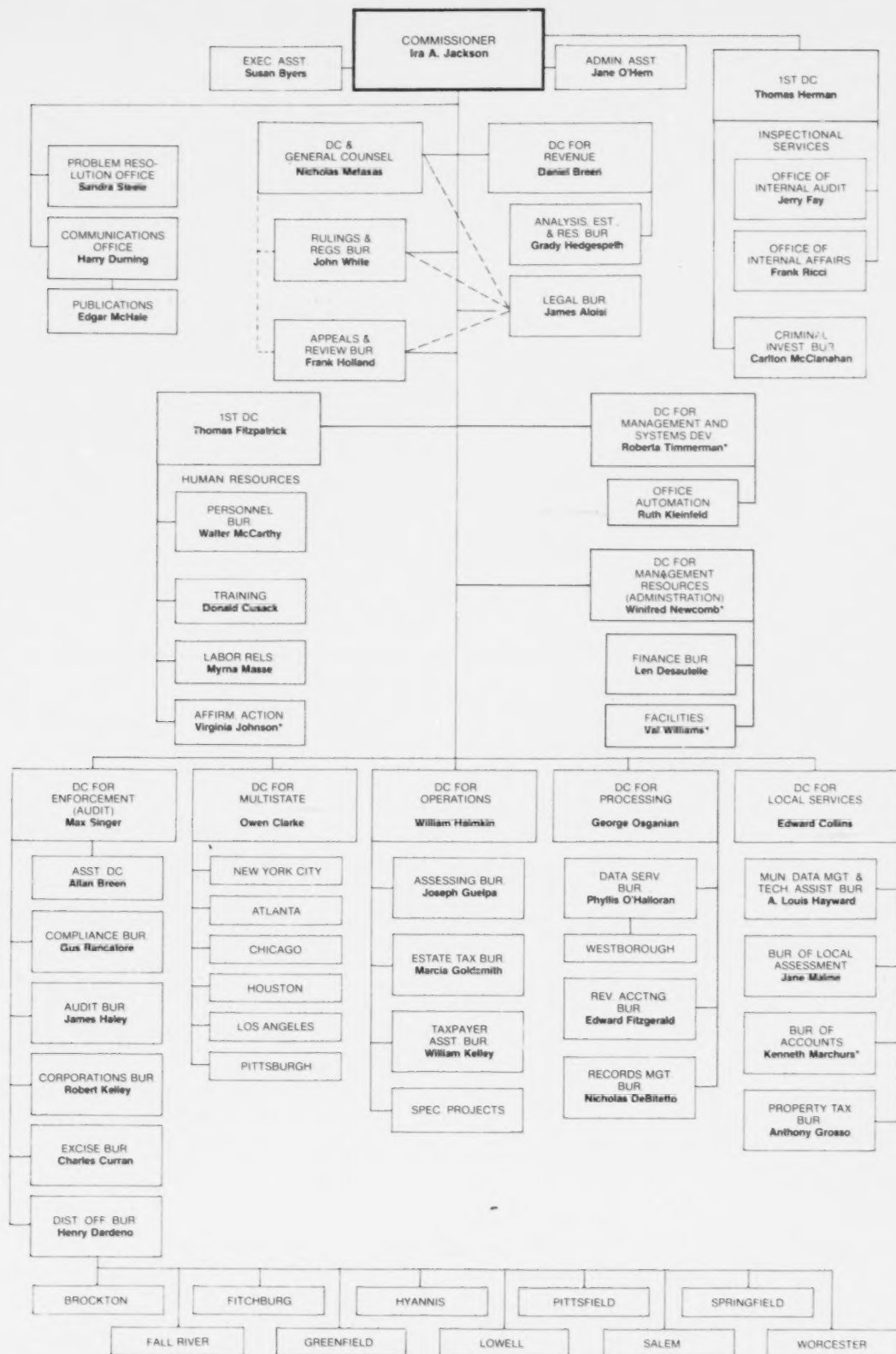
To Cities & Towns Fiscal Years 1979-1983 (In Millions)

ASSESSMENTS AND CHARGES	FY1979	FY1980	FY1981	FY1982	FY1983	1982-1983 \$ Change
County Tax	\$ 55.1	\$ 67.0	\$ 77.8	\$ 75.0	\$ 69.8	(5.2)
County Hospital	1.8	0.8	0.1	-	0.6	0.6
Special Education	5.6	4.6	4.9	4.6	4.0	(0.6)
State Recreation	16.6	16.0	17.5	18.7	18.6	(0.1)
MDC Parks	19.6	20.4	19.2	18.5	22.8	4.3
MDC Water	24.3	24.3	23.6	12.0	12.0	-
MDC Sewerage & Other	20.3	23.3	22.7	17.6	20.7	3.1
MBTA	84.1	80.6	91.9	101.7	95.0	(6.7)
Other, 12 Programs	11.1	12.2	14.9	18.7	19.3	0.6
TOTAL ASSESSMENTS AND CHARGES	\$238.5	\$249.2	\$272.6	\$266.8	\$262.8	\$(4.0)





The Organization





THE LEADERSHIP

As with any government agency or business, the heart of the Department of Revenue is its work force - the men and women at all levels doing the countless tasks in the bureaus, offices and divisions all over the Commonwealth and in cities in five other states.

Commissioner Jackson had studied and taught management while serving as Associate Dean at Harvard's John F. Kennedy School of Government prior to his appointment as Revenue Commissioner. He set out immediately to build upon, strengthen and energize the solid personnel base he found on his arrival at the Department.

In comments at his swearing in on January 8, and in a letter to all employees later in the month, Commissioner Jackson noted the need to overcome the crisis in public confidence in the Department and to establish public respect for the employees, and the professionalism and fairness of the way they administer the State's tax laws. Other stated goals were to raise the morale and restore pride among the employees, as well as to review, update and modernize the Department's managerial practices.

The human strength of the Department includes career employees too numerous to mention at all levels—clerks, tax examiners, auditors, supervisors and bureau chiefs. However, in addition to Edward Collins of Local Services, four veteran Deputy Commissioners whose continuing contributions to DOR must be specifically cited, are:

- Daniel B. Breen, the Department's top authority in the fields of tax forms and procedures, who has earned a national reputation for the accuracy of his revenue estimates.

- Owen L. Clarke, also a nationally known authority in tax administration, who now specializes in the area of corporate taxation and unitary assessment. In the past three years he has built the Department's Multistate Division into a \$31 million annual revenue producer.

- Atty. Nicholas L. Metaxas, the Department's General Counsel who has

responsibility for developing and following the Department's legislative program on Beacon Hill. He played a key role in drafting the REAP legislation.

- George Osganian, who oversees the Processing Division, and was responsible for developing the systems which substantially speeded up both refunds and the deposit of tax payments. He also set up the new child support refund offset program and other computer matches which have saved taxpayers millions of dollars.

On top of that solid leadership and line personnel base, Commissioner Jackson set out to recruit new management talent, to promote promising career employees from within, and to develop a team capable of carrying the Department forward in meeting its many new challenges.

Here is a list of the key management people hired or promoted in the latter half of Fiscal 1983.

The Division of Inspectional Services

An outline of the Division of Inspectional Services was presented earlier. The man in charge, First Deputy Commissioner Thomas D. Herman, came to the Department after practicing law with the Boston law firm of Hale and Dorr. He had also served as a policy advisor to Governor Dukakis during his campaign and the transition period.

Two other professionals from outside the Department were recruited for the new units within the division. Jerry J. Fay, a senior member of the Inspection Service for the Internal Revenue Service in New York City, took over as Director of DOR's Office of Internal Audit. Frank A. Ricci, Jr., chosen to direct the Office of Internal Affairs, was formerly a Commander and Chief of the Detective Division of the Warwick, R.I., Police Department. He also had worked in private security operations for a precious metals firm.

The Division of Human Resources

Appointed to the position of First Deputy Commissioner for Human Resources was Thomas H. Fitzpatrick, a professional with 16 years experience



D. Cusack



J. Haley



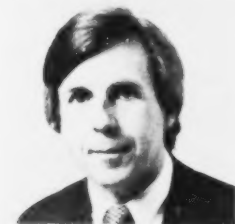
E. Fitzgerald



W. Halmkin



H. Dardeno



T. Fitzpatrick



L. Hayward



J. Aloisi



S. Byers



N. DeBitetto



M. Goldsmith



O. Clarke



L. Desautelle



G. Hedgespeth



A. Breen



E. Collins



A. Grosso



T. Herman



D. Breen



H. Durning



J. Guelpa



C. Curran



J. Fay



F. Holland



I. Jackson



V. Johnson



R. Kelley



W. Kelley



R. Kleinfeld



J. Malme



K. Marchurs



M. Masse



W. McCarthy



C. McClanahan



E. McHale



N. Metaxas



W. Newcomb



P. O'Halloran



J. O'Hern



G. Osganian



A. Rancatore



F. Ricci



M. Singer



S. Steele



R. Timmerman



J. White



V. Williams

in personnel work, management consulting and executive recruiting. Among the major corporate employers for whom Mr. Fitzpatrick worked before joining the Revenue Department were the Sheraton Corporation and Peat, Marwick, Mitchell and Company.

The Audit or Enforcement Division

Max J. Singer, a veteran tax administrator with 30 years experience with the Internal Revenue Service, was appointed to head the Audit Division in February and immediately began a major overhaul of systems and procedures there. At the IRS he had headed a unit of similar size with similar functions, and with his appointment a new era of cooperation was begun between the two agencies to more effectively pursue tax evaders and delinquents. To better reflect the varied functions of Mr. Singer's Division, its name is being changed from Audit to Enforcement.

Allan N. Breen was named Assistant Deputy Commissioner to help Mr. Singer handle the myriad of details involved in expanding Audit and Compliance Bureau activities, and to expedite the coordination of enforcement programs with other divisions. His appointment effectively utilizes his experience of 11 years with DOR, during which he gained a wide range of expertise in several different bureaus.

The Operations Division

William E. Halmkin, an attorney and career employee of DOR, was promoted from the position of Bureau Chief of the Estate Tax Bureau to Deputy Commissioner of Operations. In his new capacity, Mr. Halmkin was given supervision over the Estate Tax operation along with two other Bureaus—Taxpayer Assistance and Assessing.

In addition to his line operating duties, Mr. Halmkin was chosen to head a comprehensive management audit of the Department's procedures in the areas of abatements, payment agreements and penalties.

Promoted to succeed Mr. Halmkin as as Estate Tax Bureau Chief was Atty. Marcia Goldsmith, a five-year member of the Department.

The Legal Bureau

Atty. James A. Aloisi, an Assistant Attorney General for the past four and one-half years, was recruited to take over as head of the Legal Bureau. His background provided him with an in-depth knowledge of State government overall and specific legal experience in areas of concern to the Revenue Department—property taxation, classification, revaluation, Proposition 2½ and State aid distribution.

The Bureau of Revenue Analysis, Estimation and Research

The Department's former Planning and Research Bureau was reorganized with expanded functions and a new title—Revenue Analysis, Estimation and Research—reflecting those added duties. Recruited to head the new bureau was Grady B. Hedgespeth, a senior management consultant for Blue Cross and Blue Shield in Chicago, where he developed analytical, econometric and survey techniques. Mr. Hedgespeth had previously been associated with the Rand Corporation.

The Division of Local Services

A man with a masters degree in Public Administration and hands-on local government experience was chosen to run the new Municipal Data Management and Technical Assistance Bureau. A. Louis Hayward served as Town Manager of Amherst from 1975 to 1982, and had worked in management positions in four other communities, large and small, in California, Connecticut, Maryland and New Jersey.

The Problem Resolution Office

The new Problem Resolution Office was modeled after a similar function at the Internal Revenue Service, and the Department stepped out to recruit the person who had directed the operation at the Boston IRS office, Sandra Steele, a 10-year veteran in tax administration.

The Communications Office

The Department's public information function was given new emphasis and leadership with the appointment of Harry M. Durning as Director of Communications. Mr. Durning had over 30 years of experience in both newspapers and broadcasting, including 20 years as Editorial Director for Boston's WBZ radio and television. He had most recently been Executive Director of the Boston Municipal Research Bureau. Mr. Durning was given the lead responsibility for developing a public service campaign to build new public attitudes about tax evasion.

DOR's need for coordinated publications was answered by recruiting Edgar L. McHale from the Executive Office of Communities and Development. His broad public relations experience in both the public and private sectors, and a number of years in radio and television news, has been put to use in developing effective communications with taxpayers in general, and employees of DOR in particular.

The Training Office

Donald J. Cusack, a five-year veteran of DOR, was charged with setting up a Training Office within DOR in order to provide training for new employees as well as upgrading the technical and management skills of career employees. His background as an educator and counselor, and as Associate Director of Admissions at Bryant College, gave him the expertise to move forward immediately in establishing meaningful training programs and a career development program within the Department.

PRIORITIES FY 1984

The Department's key plans and priorities for Fiscal Year 1984 were spelled out in three interrelated documents:

- The report of the Governor's Advisory Task Force, which contained 23 first-year recommendations in a long range reformation and revitalization of the Department.

- The Revenue Enforcement and Protection (REAP) Program, which gave the Department new legal tools to crackdown on both tax delinquents and evaders, and

- The 1984 state budget, which provided the Department with \$11.7 million more than the previous year but committed it to raising \$5.423 billion, an increase of \$476 million, or 9.6% over 1983.

That \$5.423 billion revenue goal required the Department to raise its collections well above the rate of inflation without a significant increase in tax rates.

Task Force Report Implementation

As noted earlier, the Department worked closely with Chairman Paul McDaniel of the Governor's Advisory Task Force and initiated some of its major recommendations even before release of the report. Those included the establishment of the new security units within the Division of Inspectional Services and creation of the Problem Resolution Office. There remained however, the task of fully staffing these units and making them operational with established procedures.

In the case of the Offices of Internal Affairs and Internal Audit it was necessary to start planning to provide all DOR employees with an overview of these units' functions and goals. A Department-wide Integrity Awareness Training Program was planned to describe the mission of Inspectional Services and to discuss procedures for dealing with bribery attempts. Work was begun on locating Inspectional Services apart from the Department's headquarters in the Saltonstall Building.

Similarly, though work on the Code of Conduct had been well advanced in 1983, the difficult job of finalizing a draft and negotiating it with employee union representatives lay ahead for 1984.

Computerization

Four of the 23 Task Force recommendations for the first year were directly related to the development and expansion of the Department's data processing (EDP) and computer support. And the need for that was plain.

As the McDaniel report was to note, "It is ironic that a tax collection agency located in one of the computer centers of the world should have inadequate computer systems as one of its major operational deficiencies. But we found this to be the case."

The Department, in Fiscal 1983, was still manually processing nearly a quarter-million corporate, excise and estate tax returns, as well as a half-million assessments, abatements, refunds and other adjustments. The Compliance Bureau alone had over 175,000 collection cases. In all, some 20 million tax and wage returns were passing through the Department annually, yet there was not one word processor in use.

The Department was acting in advance of the release of the McDaniel report to establish the framework for reform. A top-level EDP Steering Committee was formed and went into Fiscal 1984 meeting on a regular basis.



It had an ambitious agenda for the year ahead:

- Automate the abatement system
 - Computerize the Corporate Excise Tax
 - Develop computer-generated taxpayer notification systems
 - Automate audit selection criteria
 - Develop computer-driven revenue analysis and estimating capabilities
 - Computerize accounting records of the management resources division
 - Continue development of a fully automated accounts receivable system
 - Provide management information data for resource deployment and performance measures
 - Begin implementation of Office Automation Project
 - Insure the integrity of financial transactions through computerized tracking systems
- To guide the implementation of this ambitious agenda the Department planned a new office of Deputy Commissioner for Management and Systems Development.

Tax Form Revision

The major challenge in Taxpayer Assistance and one-to-one communication with the public for the new year was to bring to successful completion the new, shorter personal income tax form. It eventually became known as the Form ABC, suitable for use by roughly half of the State's 2.5 million taxpayers.

A commitment was also made to start reform of the traditional and much more complicated Form 1, with a goal of having that job completed in time for the 1985 tax filing season.

As quickly as possible, a review will be made of all 1600 forms used by the Department, though clearly that project will continue well beyond Fiscal Years 1984 and 1985.

Expanding Taxpayer Assistance

Beyond the production of better forms, the Department was committed to an expanded outreach program to assist people during the filing season. One major project planned for Fiscal 1984 was acquisition of a Taxmobile, a

conference center on wheels to take Taxpayer Assistance personnel to convenient public locations in cities and towns around the State, some not easily serviced by DOR's district offices.

The REAP Program

Passage of the REAP Program strengthened the hand of the Department in pursuing both delinquents and evaders, and substantial preliminary work was necessary to carry out key sections of the program. In some of its sections, REAP launched the Department into entirely new fields of enforcement, with no national models to follow.

That was the case with the Department's new power to seek termination of both licenses and public vendor contracts of those who fail to pay or evade their tax obligations. Full implementation of this law would require completion of computerized lists of 1.2 million individuals and businesses from State agencies, authorities and municipalities.

Detailed contract specifications had to be worked out for selection of the private collectors to pursue long delinquent taxpayers.

The major threat against evaders was the increase in the penalties. Evasion was raised from a misdemeanor to a felony, with jail terms of up to five years and fines as high as \$100,000 for individuals, \$500,000 for corporations.

A tax amnesty program, included in the REAP package as it moved through the Legislature, was to encourage both evaders and delinquents to come in and settle up with the Department without penalties or fear of prosecution. Planning for that FY 1984 program, broader in scope than any other state had previously carried out, was begun right after passage of the law, with a decision to carry out the three-month effort from mid-October to mid-January.

The 1984 Budget

The 1984 State budget provided an additional 193 permanent positions, raising the Department's authorized staff level to 1,970. Provision was also

made for 200 excess quota positions to help cope with the massive volume of work facing the Department in meeting its revenue goal and following through with implementation of the REAP legislation and the McDaniel Committee recommendations.

One of the major challenges facing the Department, especially its new Human Resource Division, was the recruitment and training of these people. Plans were also made to expand training for current members of the Department. A top priority was creation of new management career ladders to address the shortage of line managers.

Comprehensive affirmative action plans were drawn up for Fiscal 1984 to insure aggressive outreach efforts in all areas where minority and women applicants might be located. Ambitious goals were established to reflect a 20% minority hiring rate.

Despite all that has been accomplished in FY 83, the remaining agenda for the Department's managers and workforce remains long. What is past is simply prologue.

In fact, even the plans for the year ahead are just one more phase in the long range modernization, strengthening and improvement of the Department. The Task Force Report acknowledges that long range planning and investment in both human and technological resources are essential to making the Massachusetts Department of Revenue a national model of tax administration. And the need for change, adaptation and innovation will continue. Throughout, there will be two critical measures of the many individuals who daily contribute to the Department of Revenue: honesty about the areas in need of change and a continued determination to do the best job possible for the vast majority of honest taxpayers who provide the resources needed to fund State government.

Legislative Recommendations

LEGISLATIVE RECOMMENDATIONS OF THE DEPARTMENT OF REVENUE

Fiscal 1983 was a landmark legislative year for the Department of Revenue.

As usual, in the fall of 1982 the Department submitted its own legislative program, which contained 34 separate proposals covering a wide range of issues.

In March of 1983 Governor Dukakis filed his Revenue Enforcement And Protection (REAP) Program to crack down on tax delinquents and evaders, to update the state's compliance with the federal tax code and to make other needed changes in our revenue laws. It incorporated some of the pertinent sections of the Department's earlier legislative package, and benefitted substantially from legislative amendments such as the provision for a tax amnesty.

Though not passed until the final day of the fiscal year in June, the REAP program was a factor in spurring collection and enforcement activities in the latter part of the period. That is explained in the main text of the report.

In its final form, as Chapter 233 of the Acts of 1983, the REAP package had 101 sections. There is no effort in this report to cover the entire legislation, but here is a capsule summary of some of the key provisions:

Individual income tax

- Conformity to federal tax provisions was updated from 1978 to 1983.
- The exemption for a spouse was increased from \$800 to \$1,000.
- The no-tax threshold was increased over three years from \$3,000/\$5,000 to \$5,000/\$8,300.
- The long-term capital gain deduction was decreased from 60% to 50%.
- Deductions for FICA and public pension contributions were capped at \$2,000 per taxpayer.

Corporation taxes

- Limitation was placed upon business corporation credits to be taken in any one year.
- Deposits measure of the excise from thrift institutions was revised.
- Income apportionment formula for utilities was modernized.

Transaction taxes

- Cigarette tax was increased from 21¢ to 26¢ per package; with its criminal penalties reclassified as felonies.
- Gifts of scientific research equipment were exempted from the use tax.

Administration

- Commissioner was granted omnibus power to promote tighter tax administration and enhance revenues.
- Interest on delinquent taxes and refunds was fixed at 18%.
- Commissioner was authorized to settle tax liabilities and to have an amnesty period.
- Criminal penalties for tax violations were increased, with some made felonies.

One other part of the original REAP program, placing an 11-cent-a-gallon floor under the wholesale price of gasoline, was made into separate legislation and passed on March 30, 1983 (Chapter 21 of the Acts of 1983). Prompt action was necessary to stem a loss of revenue from a continuing drop in the wholesale price of gasoline at the time.

There follows here a summary of the Department's own 34-point legislative program, with those sections passed marked with their statute numbers. Those which became part of REAP will be noted as Chapter 233.



TRANSMITTAL OF COPIES OF PROPOSED AND APPROVED COUNTY BUDGETS TO THE DIRECTOR OF ACCOUNTS.

Chapter 351 of the Acts of 1981 significantly changed the statutory provisions relative to the adoption of county budgets, placing that authority in the advisory boards on county expenditures. In the revision of this budgetary process, the Director of Accounts continues to have general fiscal and financial responsibilities in relation to the counties and their expenditures. The law, however, inadvertently omitted the Director of Accounts as an office required to receive copies of proposed county budgets as submitted by the county commissioners and copies of the final budgets as approved by the advisory boards. Presently, only final approved supplementary budgets need be transmitted to the said Director.

This recommendation would correct this deficiency in the law. County commissioners would be required to transmit copies of their proposed budgets to the Director of Accounts as well as to all the other offices currently in the statute. Upon final budgetary action, advisory boards would transmit a copy of the approved general budget (as well as approved supplementary budgets currently in the law) to the Director of Accounts within 15 days of the board's action.
(Chapter 121 of the Acts of 1983)

CORRECTIVE CHANGES IN EXISTING LOCAL TAX LAWS.

This recommendation seeks to correct a number of statutory deficiencies in tax laws applicable to local taxation resulting from prior amendments or changes in such laws that have affected other administrative provisions. No substantive change in the laws would result. The specific corrections follow.

1. Provisions relating to the sale or acquisition of real estate by cities and towns have never reflected the liability for real estate taxes caused by the change to a fiscal year.

Where such a transaction occurs between January 2 and June 30, the law would provide for the collection of a pro forma tax or for the abatement of the tax for the succeeding fiscal year upon the sale or acquisition of real estate, respectively.

2. Statutory provisions relative to local real estate abatements by the Appellate Tax Board would be amended to reflect the increased general rate of interest from 6% to 8% upon local abatements in G.L. c. 59, sec. 69, enacted in St. 1980, c. 406, sec. 1.

3. The wording of the new real exemption for blind homeowners enacted in 1982 as G.L. c. 59, sec. 5, CL. 37A, would be clarified to insure an exemption of \$500 of tax rather than \$500 of assessed valuation.

4. The period of time for applying for the new exemptions enacted in the past two years as G.L. c. 59, sec. 5, CL. 17C and 37A would be extended from October 1 to December 15 in line with all other comparable exemptions.

5. Land Classified under G.L. c. 61A as agricultural and horticultural land would be made specifically exempt under G.L. c. 61 (forest land) and c. 61B (recreational land).

6. Under St. 1981, c. 145, sec. 2, municipal light charges are now liens required to be shown on a certificate of municipal liens. The general provision requiring the payment of existing municipal liens from the proceeds of insurance would be amended to include such municipal light charges that constitute liens.

(Chapter 72 of the Acts of 1983)

PRORATION OF THE BOAT EXCISE IN THE EVENT OF SALE OR REMOVAL.

Under G.L. c. 60B, an excise is imposed upon all boats moored or docked within a city or town in lieu of a local property tax. In the event the owner of the boat sells or otherwise transfers ownership, or moves the boat to another state and surrenders or fails to renew his Massachusetts registration, he is entitled, upon application, to an abatement of a portion of such excise.

Currently, the excise is prorated on the basis of the number of days remaining in the fiscal year. It is recommended that this proration be made on a monthly rather than a per-diem basis. This change would eliminate time-consuming individual calculations for the assessors and their staffs and would allow them to standardize abatement amounts for each possible excise abated in any given month. The statutory provision and administrative procedures would be brought in line with the abatement of motor vehicle excises in similar situations.

(Chapter 25 of the Acts of 1983)

TAXATION IN MASSACHUSETTS OF GAMBLING WINNINGS DERIVED BY NON-RESIDENTS.

In 1979, the Commissioner of Revenue ruled that gambling winnings derived in Massachusetts by non-residents of this state were not specifically taxed under the provisions of our personal income tax law since, in most instances, non-residents deriving such income are not engaged in a trade or business.

Clearly, such income earned by Massachusetts non-residents should be taxed in the same manner as it is taxed to Massachusetts residents. This proposed legislation would tax income derived by a non-resident from or effectively connected with the participation in any lottery or wagering transaction within the Commonwealth.

(Chapter 233)

PROVISION FOR WITHHOLDING UPON GAMBLING WINNINGS.

A few years ago, the United States enacted, for federal income tax purposes, a provision for federal withholding upon certain gambling winnings. Since the Massachusetts withholding law parallels and conforms closely to federal law, this proposal would impose a similar withholding requirement for Massachusetts income taxation. The amount withheld would be five per cent of the payment.

The proposed withholding, like its federal counterpart, would apply to proceeds of more than \$5,000 from state lotteries; more than \$1,000 from other lotteries, sweepstakes or betting pools; and more than \$1,000 (if at least 300 times as large as the amount wagered) from other gambling.

Winners would be required to give payers statements identifying themselves and anyone sharing in the proceeds.

(Chapter 233)

THE DEFINITION OF "CODE" UNDER THE STATE TAX ADMINISTRATIVE CHAPTER.

Under Section 1 of Chapter 62C of the General Laws, which contains the administrative provisions applicable to all state taxes, "Code" is defined as the Internal Revenue Code of the United States, as amended on January 1, 1971.

This recommendation seeks to update this Code reference, which has now become obsolete. A similar reference under the personal income tax law (Chapter 62) was updated in 1979. This proposal would define "Code" in the administrative chapter as the U.S. Internal Revenue Code as amended and in effect from time to time. Since the provisions to which it would be applicable are administrative and procedural in nature, there is no necessity to refer to a date certain.

(Chapter 233)

**THE DETERMINATION OF THE
RATE OF INTEREST ON
UNDERPAYMENTS AND
OVERPAYMENTS OF STATE
TAXES.**

Currently, the rate of interest occurring upon underpayments and overpayments of state taxes, following the statutory provision in the Federal Internal Revenue Code, is adjusted annually as of January 1 of each year based upon the average adjusted prime rate during the preceding September.

Under the 1982 Federal amendments, the rate of interest will be adjusted semi-annually as of January 1 and July 1, beginning in 1983, based upon the average adjusted prime rate during the preceding six-month period ending September 30 and March 31. The rate established as of January 1, 1983, is 16%.

Since our law is tied directly to the federal provision, our rate of interest will henceforth be adjusted semi-annually. Although such rate should reflect current market interest rates, an adjustment every six months places an unwarranted burden upon the tax department, tax practitioners and taxpayers in making the appropriate computations to arrive at the interest due upon underpayments and overpayments of state taxes, especially where it could involve a number of years.

It is proposed that Massachusetts remain with the existing annual adjustment of the interest rate. The rate in effect as of January 1 of each year for federal tax purposes would be the Massachusetts rate of interest for the entire calendar year. We would not follow any subsequent rate established as of July 1. In addition, it is recommended that the law be clarified to the extent of providing a minimum rate of interest of at least 12% per annum.
(Chapter 233)

**AUTHORIZATION FOR
CORPORATION AND PERSONAL
ESTIMATED INCOME TAX
PAYMENTS TO BE MADE TO A
DESIGNATED BANK DEPOSITARY.**

More than a year ago, the department established a lock box system whereby weekly, monthly and quarterly business tax returns and payments with respect to withholding, sales, meals and room occupancy taxes are made directly to a depository bank, which processes them for the Commissioner. The authority for such a system was granted in legislation enacted as St. 1980, c. 27.

The conversion to a direct bank deposit of revenues for business taxes has proven to be extremely successful. The faster deposit of funds has generated an estimated 1.3 million dollars of investment income over and above the processing charges of the depository bank. Further, it has allowed the reassignment of departmental personnel and resources to more revenue-productive activities.

At this time, it is proposed that this lock box system be extended to include the 800,000 personal income tax declarations of estimated tax and quarterly payments and the 60,000 corporation declarations of estimated tax and quarterly payments that are annually received. Such a conversion would accelerate the quarterly depositing of 765 million dollars of revenues by an average of one full week and would thereby generate an estimated 1.5 million dollars in excess of the bank charges as well as further reduce the need for departmental resources being allocated to this processing function.

This proposal would grant the necessary statutory authorization to permit the Commissioner to extend, by regulation, the lock box system to individual and corporation estimated taxes.
(Chapter 567 of the Acts of 1982)

SUSPENSION OR REVOCATION OF CERTAIN LICENSES OF DELINQUENT TAXPAYERS.

Presently, the Commonwealth does not have a comprehensive law that subjects a holder of a license for the conduct of any profession, trade or business to revocation or suspension of the license if he is delinquent in the payment of state taxes. Such a provision currently applies only to the holders of alcoholic beverages licenses.

This proposal would require that any holder of a right or license for the conduct of a profession, trade or business issued by any agency of the Commonwealth or its subdivisions file his state tax returns and pay such taxes as are due on a timely basis. If such person neglects or refuses to file any state tax return or to pay any state tax, the licensing agency would be required, upon request of the Commissioner and after hearing, to suspend or revoke this licensee if it finds that the licensee's tax obligations have not been filed and paid or have not been provided for to the satisfaction of the Commissioner. Such suspension or revocation would continue until such time as the tax delinquency is resolved to the Commissioner's satisfaction. The agency's decision would be judicially reviewable. (Chapter 233)

PROVISION FOR A STATUTE OF LIMITATION IN THE COLLECTION OF UNPAID STATE TAXES.

Massachusetts does not currently have a general statutory limitation upon collection of an unpaid state tax. There is a six-year statutory period for the collection of private business accounts, federal taxes and local property taxes, and varying periods for taxes of other states. Massachusetts has a ten-year collection statute for inheritance and estate taxes, but no limitation for other taxes.

As a result, unpaid tax liabilities that prove to be uncollectible are never extinguished through the passage of time or by operation of law. The only vehicle for removing an uncollectible from our records is through a cumbersome procedure of recommending its abatement by the Appellate Tax Board under G.L. c. 62C, sec. 42. Liabilities remain on the books as receivables for ten or twenty years, even though the likelihood of collection has long passed.

It is to the advantage of both the taxpayer and the Commonwealth that the period of time for collection of outstanding tax liabilities be clear and limited in time and that only collectible amounts be reflected in the Commonwealth's accounts.

The accompanying legislation would substantially adopt the Federal provision with respect to tax collection. The Commissioner of Revenue would have six years from the assessment of any tax to pursue its collection. At the end of that time, the liability would be extinguished by operation of law, except where the matter is being legally contested or the parties have agreed in writing to an extension of the period.

The six-year statute of limitation would become effective as of 1986. This would be implemented in three stages. The period for collection would be ten years commencing January 1, 1984, 8 years in 1985 and 6 years in 1986 and thereafter. (Chapter 233)

REVISION OF THE METHOD OF VALUING TANGIBLE PROPERTY UNDER THE BUSINESS CORPORATION EXCISE.

Under the business corporation excise law the tangible property of a corporation is used in two instances where it is valued at its federal adjusted basis, which is generally its original cost less the depreciation taken for federal income tax purposes. This valuation is used in com-

puting the tangible property measure of the excise, i.e. tangible property situated in Massachusetts and not subject to local taxation; and in computing the tangible property factor of the income apportionment formula.

With the adoption of accelerated cost recovery system (ACRS) and "safe harbor" leasing provisions by the federal government for tax purposes, federal adjustment basis is no longer a meaningful valuation that Massachusetts can use for either the tangible property measure or the tangible property factor for income apportionment. Therefore, it is recommended that tangible property be valued at its book value for the tangible property measure of the tax and at its original cost in computing the tangible property factor of the income apportionment formula.

(Chapter 658 of the Acts of 1982)

AUTHORIZATION FOR THE ADOPTION OF ALTERNATIVE INCOME APPORTIONMENT FORMULAS FOR CERTAIN INDUSTRY GROUPS.

Under the business corporation excise, the Massachusetts income of multi-state and multi-national corporations is determined by a statutory three-factor apportionment formula based upon wages, property and sales. This formula is designed primarily for corporations that sell tangible personal property. Its provisions are not particularly suited for other types of business activity, such as transportation, financial, mining, communications and service businesses.

It is recommended that the Commissioner of Revenue be given the authority to adopt, by regulation, alternative apportionment formulas for particular industry groups where the statutory formula is not reasonably adapted to approximate Massachusetts income.

(Chapter 233)

REVISION OF THE PENALTIES FOR TRANSPORTING, POSSESSING OR SELLING UNSTAMPED CIGARETTES.

Under the current cigarette tax law, transporting, possessing or selling unstamped cigarettes or cigarettes upon which Massachusetts tax has not been paid, is only a misdemeanor punishable by a fine of up to \$1,000 or imprisonment for up to one year, or both.

Most states have recognized the seriousness of this illegal traffic by establishing or increasing the criminal penalty for such violations to that of a felony. In 1978, the U.S. Congress recognized the national scope of this problem by making the illegal interstate transportation of contraband cigarettes a federal criminal offense.

This proposal would increase our criminal penalty for these violations to a fine of up to \$5,000 or imprisonment in the state prison for up to five years, or both, if the violation involves 12,000 cigarettes (60 cartons or 1 case) or more. Violations involving less than 12,000 cigarettes would continue to be punishable as a misdemeanor by a fine of up to \$1,000 or imprisonment for up to one year, or both.

This recommendation would also authorize the Commissioner to seize and sell any contraband cigarettes, including their receptacles, that may be discovered in those instances where criminal proceedings are not to be instituted. Proceeds from such sales would be held in a special account that could be used by the Commissioner, without further appropriation, to aid in investigations of criminal activities under the cigarette tax laws.

(Chapter 233)

FURTHER REGULATION OF THE SALE AND USE TAXATION OF OUT-OF-STATE BOATS.

A mounting enforcement problem under the sales and use tax law is the purchase and registration of

pleasure motorboats outside the Commonwealth which are then brought back to this state for use. Recent enforcement efforts of the coastal Northeast states have indicated that large numbers of boats are being registered in Delaware to escape the payment of sales, use and other taxes in their home states.

The proposals would require harbor masters to file annual reports with the Commissioner of Revenue as to out-of-state boats that anchor in Massachusetts waters. This information would be utilized by the department in insuring that all appropriate taxes have been paid by such boat owners and would aid in combatting this pervasive tax evasion scheme.
(Chapter 233)

IMPOSITION OF AN ADDITIONAL ESTATE TAX EQUAL TO THE STATE TAX CREDIT ALLOWED AGAINST THE FEDERAL TAX ON GENERATION-SKIPPING TRANSFERS.

The Federal Tax Reform Act of 1976 imposed a tax on certain generation-skipping transfers. The federal law provides a credit against such tax for state death taxes imposed on such transfers. This proposal would amend our estate tax law by enacting an additional "pick-up" tax to take advantage of this additional federal credit. If Massachusetts does not enact this provision, the estate would be required to pay these taxes to the federal government. Therefore, no additional tax liability is imposed by this proposal.
(Chapter 233)

Other Fiscal 1983 Legislative recommendations of the Department, not approved, were relative to:

- Corrective changes in existing tax laws
- Revision of provisions for classification of corporations subject to corporations excise

- Establishment of statewide Computer Assisted Mass Appraisal (CAMA) systems
- Clarification of real estate exemptions granted to certain paraplegic veterans and their surviving spouses
- Clarification of definition of "population" used in certain distribution and assessment provisions
- Taxation of agricultural and horticultural land
- Corrective changes in capital gains deductions
- Refund of overpayments determined after certain taxpayer audits
- Authorization for Commissioner to correct errors in tax assessments or payments and resolve multiple refund claimant disputes
- Elimination of limitation upon abatement of taxes where late return is filed
- Prohibition upon suits to restrain assessment or collection of a State tax
- Application for registration or license under certain tax laws
- Further definition of "sales" for purposes of apportioning income under the business corporations excise
- Repeal of separate income tax on corporations engaged exclusively in interstate commerce
- Conformance of the definition of "lodging house" in room occupancy excise law to definition for local licensing purposes
- Sales tax on returned merchandise
- Further definition of "exemption" under meals tax, so-called
- Restriction of deductions under estate tax to those paid or accrued
- Clarification of application of Massachusetts tax liens to registered land

The Taxes



TYPE OF TAX	MEASURE	RATE	RETURN DUE
Personal Income	Dividends, Capital Gains & Interest other than Mass. bank interest.	10.75%	On or before April 15 for calendar year filings. The 15th day of the 4th month for fiscal filings.
	Other Income	5.375%	
Estimated Tax			Due quarterly on or before the 15th day of April, June, September and January.
Estate (replaced Inheritance for deaths on or after January 1, 1976)	Taxable estate (after expenses, debts, losses, exemptions, charitable and marital deductions)	5% to 16%	Within 9 months after the date of the decedent's death.
Alcoholic Beverages	Malt (31-gal. bbl.)	\$3.30	Monthly, on or before the 20th day of the month.
	Cider 3%-6% (wine gal.)	\$.03	
	Still wine 3%-6% (wine gal.)	\$.55	
	Sparkling wine (wine gal.)	\$.70	
	Alcoholic beverages 15% or less (wine gal.)	\$1.10	
	Alcoholic beverages more than 15%-50% (wine gal.)	\$4.05	
	Alcoholic beverages more than 50% (proof gal.)	\$4.05	
Cigarettes¹	20-Count package	\$.21	Monthly, on the 20th day of the month. Unclassified importers must file upon importation or acquisition.
Deeds	Sales price (less mortgage assumed) of real estate	\$1.14 per \$500	Monthly, on or before the 10th day of the month.
Motor Fuels	Gasoline and Diesel Fuel per gallon ²	10%	Monthly, on or before the 20th day of the month
	Propane, Liquified Gas, etc.	10%	
Room Occupancy	Transient Room Occupancy	5.7%	On or before the 20th day following the close of the tax period. If annual liability: Up to \$25,000 - Monthly filings Over \$25,000 - Monthly payments, Quarterly filings
Sales and Use Tax	Sale, rental or use of tangible personal property	5%	On or before the 20th day following the close of the tax period. If annual liability: \$100 - Annual filing \$101 - 1,200 - Quarterly filings \$1,201 - 25,000 - Monthly filings Over \$25,000 - Monthly payments, Quarterly filings

(continued)

The Taxes (continued)

TYPE OF TAX	MEASURE	RATE	RETURN DUE
Sales Tax on Meals, Prepared Food and/or Alcoholic Beverages	All "restaurant" food and on-premise consumption of alcoholic beverages in any amount.	5%	On or before the 20th day following the close of the tax period. If annual liability Up to \$25,000 - Monthly filings Over \$25,000 - Monthly payments Over \$25,000 - Quarterly filings
Business Corporation	Net Income Tangible Property or Net Worth Minimum	9.5% \$2.60 per \$1,000 \$228	15th day of third month after close of taxable year.
Estimated Tax			Due quarterly as follows: 15th day of third month of taxable year - 30% 15th day of sixth month of taxable year - 25% 15th day of ninth month of taxable year - 25% 15th day of twelfth month of taxable year - 20%
Security Corporation			
Regulated	Gross Income	0.33%	Same as business corporations.
Unregulated	Gross Income	1.32%	
	Minimum	\$228	
Commercial Bank	Net Income	12.54%	Same as business corporations.
Savings Institution	Deposits (semi-annual) Net Income	0.0625% 1.254%	On or before the 25th day of the seventh month of the taxable year and the 25th day of the first month following the close of the taxable year.
Public Utilities	Net Income	6.5%	Same as business corporations.
Insurance Company			
Domestic Life	Annuity Considerations Other Premiums Gross Investment Income	2.28% 3.2% 1.0%	On or before March 15.
Foreign Life	Premiums	2.0%	
Domestic Casualty	Premiums Gross Investment Income	2.28% 1.0%	On or before March 15.
Foreign Casualty	Premiums	2.28%	
Ocean Marine	Underwriting Profit	5.7%	On or before May 15.
Club Alcoholic Beverages	Gross Receipts	0.57%	On or before April 15.
Motor Vehicle - garaged outside Massachusetts	90% to 10% of Manufacturer's list price	\$25 per \$1,000	On or before sixty days from Notice of Tax.

1 Rate increased to \$.26 effective July 11, 1983.

2 Rate remains at 10% of wholesale price, but with an \$.11 per gallon floor, effective April 1, 1983.